RESEARCH BULLETIN 1014 OCTOBER 1968

Meat Procurement and Distribution by Ohio Grocery Chains and Affiliated Wholesalers

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AGDEX 400/81 - 845

10-68-2.5M

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THOMAS T. STOUT, MURRAY H. HAWKINS, and BRUCE W. MARION

INTRODUCTION

Recent years have witnessed dramatic changes in the wholesale-retail sector of the livestock meat industry. The post-World War II period has been characterized by the rapid growth of affiliated retail grocery organizations, the continued expansion of chain retailing (particularly among smaller chains), and the gradual disappearance of the independent grocer as many of the more attractive single firms joined the affiliated movements and less capably managed units succumbed in the competitive struggle.

During these same years, the meat packing industry has been undergoing rapid changes. These include the movement away from terminal markets, development of modern plants adapted to new technologies at interior locations, greater specialization among packers in developing plants designed for one or perhaps two species of animals, and concentration of larger packers on the development and strengthening of brand-name products as opposed to slaughter and fresh meat sales. Direct sales to retailers increased, the use of Federal grades for beef became widespread, specialization among independent meat wholesalers developed rapidly, truck transportation over great distances became common, and packer branch house activity generally declined but regionally showed increased sales in areas such as the Pacific coast and parts of the South.

As new relationships between packers and retailers developed in wholesale trade channels, these were characterized by new approaches to merchandising and procurement, product advertising, and pricing at both wholesale and retail levels. The increasing market power of affiliated and chain retailers, together with the growth of self-service and increasing pressures of keen competition, have been manifested in increasingly stringent requirements and product specifications laid down by retailers to their suppliers. Private labels, meat programs, and now the development of central warehousing all have been employed by retail organizations as cost-reducing devices. These also serve to protect or augment market power and provide a means of enforcing centrally defined policies, plans, and requirements among both suppliers and individual retail outlets.

The nature and significance of some of these changes at the national level recently fell under public scrutiny and examination in the much discussed studies of the National Commission on Food Marketing.[1] A recent publication of the Ohio Agricultural Research and Development Center summarized a survey of structural changes in the Ohio meat packing industry.[2]

This study was undertaken to identify the nature of changes that are taking place in Ohio meat retailing, including wholesale procurement methods and channels. Data were collected on certain facets of retail competitive strategy and tactics, such as advertising, promotion, pricing, and purchasing, as well as on the growth of some of the dynamic newer developments in Ohio retailing such as meat programs and central warehousing.

The information was obtained through a series of extensive interviews with the meat directors of 13 chains and 11 affiliated groups operating in Ohio. These 24 meat directors discussed with candor (and at times with understandable caution) the goals, practices, and policies of their firms and thus the fates of meat departments in 1,468 grocery stores distributed throughout Ohio, plus some additional stores beyond the state's boundaries. The 930 affiliated stores and 538 chain stores serviced by these organizations in Ohio accounted for 70 to 90 percent of metropolitan meat sales in the state.

The information obtained from these interviews has been presented in detailed form elsewhere.[3] In summarizing these findings for the present publication, it has been necessary to offer only the briefest commentary on selected aspects of the findings. Consequently, it is appropriate to regard the tables as the principal source of detailed information and the text as an introduction to their interpretation and some of their implications. The following definitions clarify some terminology encountered throughout the report.

Large Chains—Seven firms were interviewed which operated 20 or more establishments. These

[1] Food from Farmer to Consumer, Report of the National Commission on Food Marketing. June 1966. U. S. Government Printing Office. Also, see Technical Studies 1 and 7 of the Commission, The Livestock and Meat Industry and Food Retailing.

[2] Stout, Thomas, T. and Ronald W. Dickey. Nov. 1964. The Ohio Livestock Slaughter Industry—A Survey. Ohio Agri. Exp. Sta., Res. Circ. 134.

[3] Hawkins, Murray H. 1967. An Analysis of Structure and Conduct in the Wholesale Meat Industry in Ohio. Ph.D. Dissertation, The Ohio State University.

firms varied from an organization confined largely to one metropolitan area upward to a national chain with more than 11,000 stores.

Small Chains—Six organizations were interviewed which operated four or more stores but less than 20.

All Chains—Refers to the seven large chains and the six small chains combined.[4]

Affiliated Groups—Eleven meat directors were interviewed who were employed by grocery wholesalers servicing independent retailers which were "affiliated" by a common name and certain common endeavors. These included both voluntary and cooperative organizations.[5]

All Retail Firms—Refers to the 13 chains and 11 affiliates combined.

National Packers—Packers with established distribution systems and brand names which are essentially national in scope. Ten packers have customarily been classified in this category: Swift, Armour, Wilson, Cudahy, Hormel, Morrell, Hygrade, Oscar Mayer, Rath, and Tobin.

Regional Packers—Packers of less than national scope which may regularly sell products in many states. Examples of such packers important to Ohio retailers are Marhoefer, Stark and Wetzel, Kahn, Eckert, Sucher, and Sugardale.

Meat Wholesalers—Independent non-slaughtering merchant middlemen buying, fabricating, in some cases processing, and selling fresh meat and brand-name products.

This report begins with a discussion of meat programs and meat warehousing, which prove frequently to be the central forces from which further changes are developed. It progresses through a review of related changes in procurement to a summary of price and non-price competitive strategies. It concludes with some appraisals of competitive strengths and weaknesses in Ohio meat retailing today.

CHANGING CHARACTERISTICS OF MEAT PROGRAMS

A program is a plan for organized service: (a) to retail organizations by product suppliers or (b) to individual retail stores by chain or affiliated headquarters.[6] The *supplier-sponsored* programs, offered by meat wholesalers or packers, focus largely on standardizing the complexities of the relationship between the supplier and retail headquarters. Typical matters for standardization are product specifications, methods of price determination, advertising allowances, and assorted supplier services. *Store programs,* developed by chain or affiliated headquarters,[7] focus mostly on services provided to individual stores. Since these programs require central planning and therefore some central control, they result in some loss of autonomy by individual store operators or meat department managers.

Whether employed by chains or affiliated groups, retail store programs vary widely in services provided. The minimum service normally involved is the central billing of meat.

Programs among affiliated groups may also include centralization of store orders, central selection, advertising, accounting, merchandising assistance, and the development of a suggested departmental price structure. But all of these services are not utilized by all member retailers, some of whom cherish their independence more than the advantages that centralization can provide. However, nearly all chains have at least the above services in their programs and all stores participate fully.

Newer services are being added to store programs, particularly by the large chains. These include warehousing, carcass streamlining, primal cutting, and preparing and packaging retail cuts. Affiliated programs are becoming more complete and enjoy improving participation among members but generally these programs stop short of warehousing meat.

Whether or not this omission limits the effectiveness of affiliate programs is a matter of lively debate in some affiliated organizations. Inasmuch as the primary objective of a meat program is to enable the organization to compete more effectively (measurably, at the retail level), the effectiveness of the program must be appraised from this standpoint. In recent years, small chains and affiliated retailers have grown more rapidly than large chains. Of these three types of firms, only the large chains are warehousing a significant portion of their meat products. This sug-

[4]The data were not weighted by firm size. Rather, the results in the tables represent simple averages with all firms weighted equally. Inasmuch as data for the six small chains are not reported separately in the tables, the reader may on occasion wish to pull this information out of the "all chains" category. The small chain figures can be estimated by doubling the "all chains" figure and deducting the figure for large chains.

[5]Voluntary organizations are initiated and sponsored by a wholesaler. Cooperative ventures are initiated and sponsored by a group of independent retailers which collectively owns or controls wholesale facilities.

[6]Programs have existed for many years in the wholesaling and retailing of dry groceries but similar accomplishments in the marketing of perishables such as produce and meat are a recent development. Sincere efforts to overcome problems associated with perishability, while operating under competitive pressures demanding improved efficiency, account for much of the urgency with which meat programs are regarded by industry participants today.

[7]Store programs may be offered by packers or meat wholesalers to unaffiliated independent stores but generally these are very limited in scope. Unaffiliated independent stores nationally account for 8 percent of retail grocery sales and are not considered in this study.

gests that warehousing is not a necessary element of an effective meat program.

However, for the large chain organizations which depend upon efficient procurement and distribution as a competitive strength, meat warehousing may be an important asset. For small chains with limited volume and for affiliated wholesalers servicing somewhat smaller stores which are often widely dispersed, meat warehousing may not be competitively necessary or economically feasible. The competitive strengths of small chains and affiliated retailers have been their flexibility and their merchandising finesse.

Where economically feasible, a meat warehouse strengthens the control of chain and affiliated headquarters and for this reason may be considered, even if it is not necessary for competitive effectiveness at store level. Central control is an important dimension of all store meat programs. In general, the three most important control mechanisms are:

1. Centralization of retail pricing, featuring, advertising, and promotional strategy. These largely determine the merchandising thrust and impact of the individual stores.
2. Centralization of meat procurement. The wholesale pricing and procurement power provided by the combined volume of many

TABLE 1.—Procurement Channels and Deliveries of Meat Products, by Type of Retail Organization, Ohio, 1964-65.*

Supplier	Meat Products: Carcass Beef	Beef Cuts	Fresh Pork	Smoked Pork	Fresh Sausage	Veal Lamb	Broilers	Luncheon Meats
				Affiliated Groups				
Packer†								
Percent of total‡‡	95.0	86.0	100.0	100.0	100.0	100.0	97.2	97.7
Percent to store‡	100.0	92.0	100.0	95.4	100.0	98.2	90.0	91.0
Percent to warehouse**	0.0	8.0	0.0	4.6	0.0	1.8	10.0	9.0
Wholesaler††								
Percent of total‡‡	5.0	14.0	0.0	0.0	0.0	0.0	2.8	2.3
Percent to store	100.0	100.0	0.0	0.0	0.0	0.0	100.0	100.0
Percent to warehouse	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
				Large Chains				
Packer								
Percent of total	100.0	80.0	97.1	100.0	92.8	92.8	78.5	92.8
Percent to store	43.8	39.7	70.2	55.3	85.7	45.3	43.3	69.2
Percent to warehouse	56.2	60.3	29.8	44.7	14.3	54.7	56.7	30.8
Wholesaler								
Percent of total	0.0	20.0	2.9	0.0	7.2	7.2	21.5	7.2
Percent to store	0.0	30.3	0.0	0.0	100.0	0.0	100.0	80.0
Percent to warehouse	0.0	69.7	100.0	0.0	0.0	100.0	0.0	20.0
				All Chains				
Packer								
Percent of total	99.2	81.5	98.7	100.0	89.2	96.1	86.5	89.2
Percent to store	69.7	63.5	83.9	76.1	92.0	70.5	71.6	83.4
Percent to warehouse	30.3	36.5	16.1	23.9	8.2	39.5	28.4	16.1
Wholesaler								
Percent of total	0.8	18.5	1.6	0.0	10.8	3.9	13.5	10.8
Percent to store	100.0	30.4	0.0	0.0	100.0	0.0	100.0	90.0
Percent to warehouse	0.0	69.6	100.0	0.0	0.0	100.0	0.0	10.0
				All Retail Firms				
Packer								
Percent of total	97.3	83.5	99.1	100.0	94.1	98.0	91.4	93.1
Percent to store	83.6	88.6	89.9	80.3	97.2	83.2	80.0	87.2
Percent to warehouse	16.4	11.4	1.1	11.7	2.8	16.8	20.0	12.8
Wholesaler								
Percent of total	2.7	16.5	0.9	0.0	5.9	2.0	8.6	6.9
Percent to store	100.0	63.4	0.0	0.0	100.0	0.0	100.0	94.7
Percent to warehouse	0.0	36.6	100.0	0.0	0.0	100.0	0.0	5.3

*All 24 retail organizations reporting.
†Includes packer branch houses.
‡Percent delivered direct to store by supplier.
**Percent delivered to warehouse by supplier.
††Includes jobbers.
‡‡Represents the average percentage of product tonnage supplied to the study firms by packers and meat wholesalers.

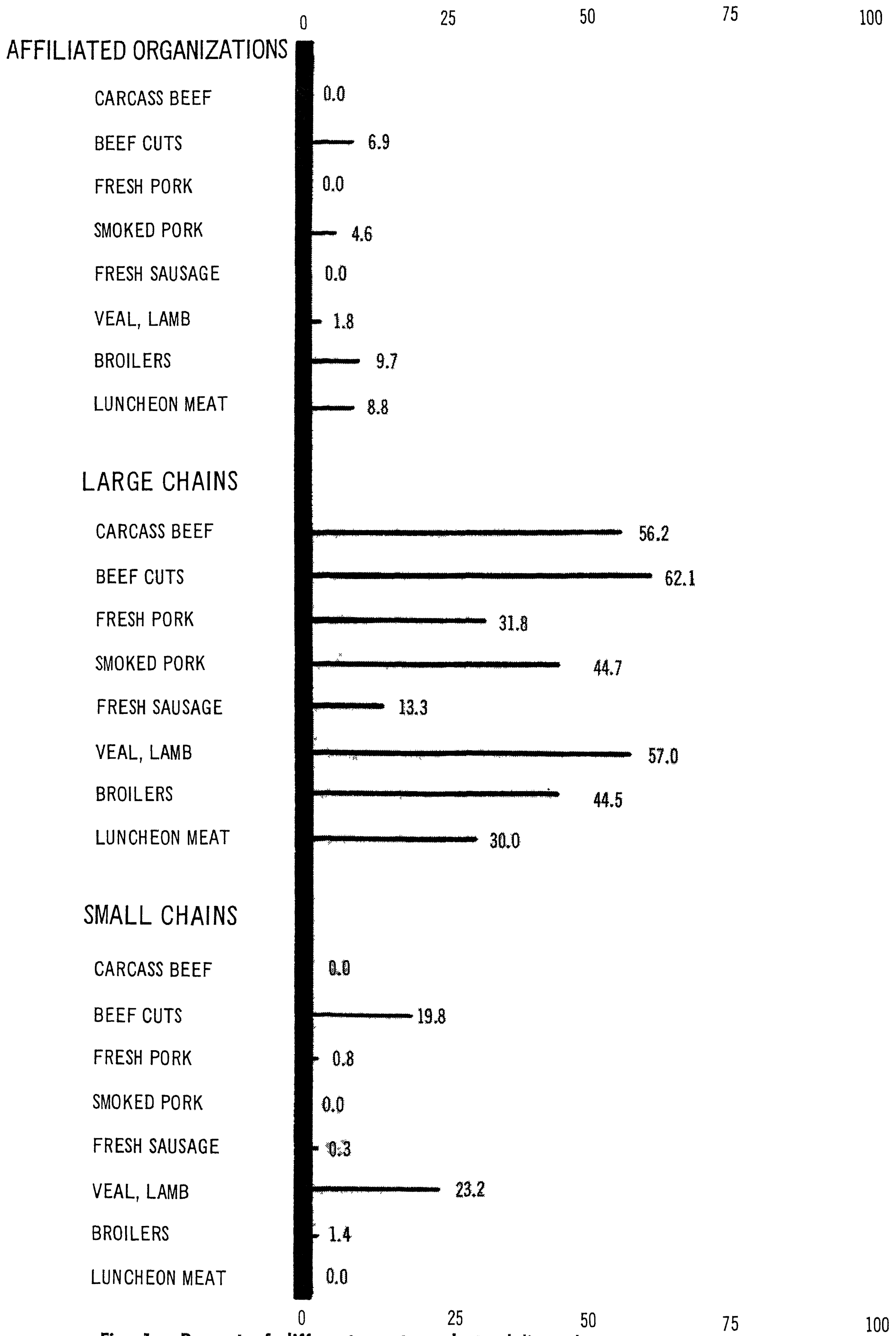

Fig. 1.—Percent of different meat products delivered to retail warehouses.

stores and the resulting control over quality standards make this a critical source of control.

3. Centralized warehousing. Through the elimination of store-door delivery, this removes the last remaining contact between the packer supplier and the individual stores. It creates greater control over the supplier and greater dependence of individual stores on the distribution center.

All three of these control devices are reflected in the most complete meat programs. Such programs understandably have a profound effect on structure, performance, and conduct in meat wholesaling and retailing. A closer examination of these effects appropriately begins with central warehousing.

CENTRAL WAREHOUSING

Affiliated programs made little use of central warehouses for meat products. Nearly all meat was delivered store-door by the supplying packer. In some instances (10 percent of the broilers, 9 percent of the luncheon meat, 8 percent of beef cuts, and 4.6 percent of the smoked pork), packers did deliver to a warehouse. A small amount of meat was purchased from wholesalers and received store-door. Wholesalers never delivered to warehouses and seldom accounted for more than 5 percent of total purchases other than beef cuts (Table 1).

In contrast, large chains made extensive use of warehouses. For example, for large chains, 56 percent of beef carcasses and 60 percent of beef cuts were delivered to the chain warehouses. Large chains warehoused nearly half of their smoked pork and more than half of their veal, lamb, and broilers. Small chains, however, followed more closely the pattern of affiliated firms and warehoused a very small percentage of meat products (Figure 1 and Table 1).

The difference between large chains' and affiliates' use of central warehousing is partly a matter of economics and partly beliefs. All affiliated groups agreed that there were advantages to store-door delivery and none thought there were no advantages. Large chains did not agree. Twenty-eight percent said there were no advantages and 72 percent agreed that there were advantages to store-door delivery. Advantages which were particularly attractive to both chains and affiliates were product freshness and lower costs (Table 2.)

In examining the advantages of central warehousing, the views of affiliates and small chains were in sharp contrast with the views of large chains. More than half of the affiliates and nearly two-thirds of the small chains saw no real advantage but 86 percent of the large chains cited specific advantages. Less than 10 percent of the small chains indicated any advantages to central warehousing.

Important among the advantages cited by the large chains were better control (including delivery) and lower costs (Table 3.) This did not mean lower warehousing costs but lower total costs. Thus it became a cost consideration different for chains, which are responsible for all costs including store operations, than for affiliates, where this was not generally true.

Important differences of attitude also seemed to exist. For example, when affiliates considered

TABLE 2.—Percentage Distribution of Advantages of Store-Door Delivery by Type of Retail Organization, Ohio, 1964-65.

Advantages	Affiliated Groups	Large Chains	All Chains	All Retail Firms
			Percent	
None	0 0	28.5	15.3	8 0
Yes	100.0	71 5	76 9	88.0
Do not know	0 0	0.0	7 8	4 0
	100 0	100.0	100 0	100 0
Specific Advantages Cited				
Fresher product	23 8	33.3	35 0	29 3
Lower cost	23.8	16.7	15 0	19 5
Eliminates inventory problems	4.8	0.0	15 0	9 8
Packers more efficient	14.3	8 3	5.0	9.8
Less shrink	9.6	25 0	10 0	9 8
Better delivery	4.8	16 7	15 0	9.8
Easier to control packer than own people	4 8	0 0	5 0	4.8
Operations too small for warehouse	4 8	0 0	0 0	2.4
Lack of store density	4.8	0 0	0 0	2 4
Only with beef and poultry	4 5	0 0	0 0	2 4
	100 0	100 0	100 0	100 0

the problems associated with central warehousing, difficulties of seemingly formidable proportions were cited, including the need for longer shelf life, stores which were too small, excessive shrinkage, duplication of packer services, and high warehousing costs. The only problem noted by chains was that warehousing costs were high (Table 4).

Further implications of warehousing as a control mechanism in the meat program are apparent as one examines another important area of control—procurement

PROCUREMENT PRACTICES AND PROCEDURES

Regional packers predominated as suppliers to these 24 firms. However, as is true of wholesale meat channels elsewhere, national packers figured more prominently in supplying large chains in Ohio and regional packers were more closely associated with smaller chains and affiliated organizations. Merchant wholesalers of meat generally have decreased in importance as direct channels have become more firmly established between packers and retailers in Ohio and elsewhere. Consequently, wholesalers did not constitute a major source of supply to these firms. Where they did figure significantly, the relationship was based on product offering rather than on retail firm size. For example, wholesalers supplied 15 to 20 percent of beef cuts to both chains and affiliates and varying amounts of broilers, lamb, and fresh sausage (Figures 2-4 and Tables 5-6).

Small local meat packers, often doubling as meat wholesalers, also were important suppliers of broilers, veal, and lamb. Affiliates purchased 10 to 20 percent of their beef cuts and carcasses from these local packers and small chains purchased perhaps 20 percent or more of their pork loins from them.

All this is peripheral, however, to the comparative significance of regional and national packers as suppliers of major items such as beef cuts and carcasses, together with pork loins and brand-name products. More than 70 percent of the beef tonnage,

TABLE 3.—Percentage Distribution of Advantages of Central Warehousing by Type of Retail Organization, Ohio, 1964-65.

Advantages	Affiliated Groups	Large Chains	All Chains	All Retail Firms
			Percent	
None	54 5	14 2	38 4	45 8
Yes	45 5	85 8	46 2	45 8
Do not know	0 0	0 0	15 4	8 4
	100 0	100 0	100 0	100 0
Specific Advantages Cited				
Better control	25 0	35 3	35 3	31 5
Lower cost	16 6	23 5	23 5	20 2
Continuous flow to stores when needed	16 6	11 8	11 8	13 8
Controls store delivery	0 0	17 6	17 6	10 3
Better bargaining position	8 3	5 8	5 8	6 8
Features easier to obtain	0 0	6 0	6 0	3 8
Small store inventory	8 3	0 0	0 0	3 4
Fresh product on shelf	8 3	0 0	0 0	3 4
Make self indispensable	8 3	0 0	0 0	3 4
Only way to get national brands	8 6	0 0	0 0	3 4

TABLE 4.—Percentage Distribution of Problems of Central Warehousing by Type of Retail Organization, Ohio, 1964-65.

Problems Cited	Affiliated Groups	Large Chains	All Chains	All Retail Firms
			Percent	
Cost too high	14 3	100 0	100 0	33 4
Packer does job	42 8	0 0	0 0	33 3
Longer package life needed	14 3	0 0	0 0	11 1
Stores too small to warrant	14 3	0 0	0 0	11 1
Shrink too great	14 3	0 0	0 0	11 1
	100 0	100 0	100 0	100 0

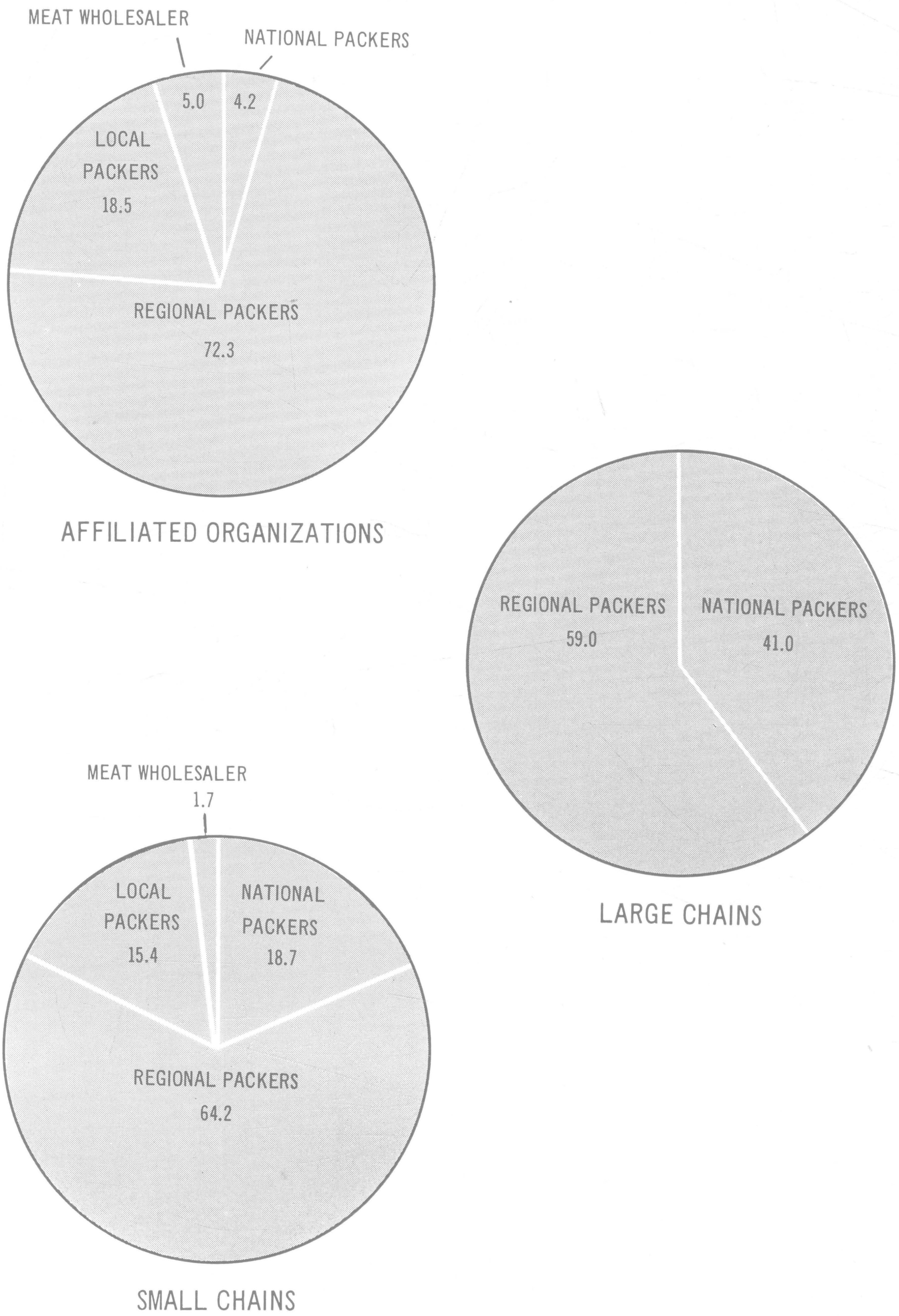

Fig. 2.—Percent of carcass beef tonnage obtained from different suppliers.

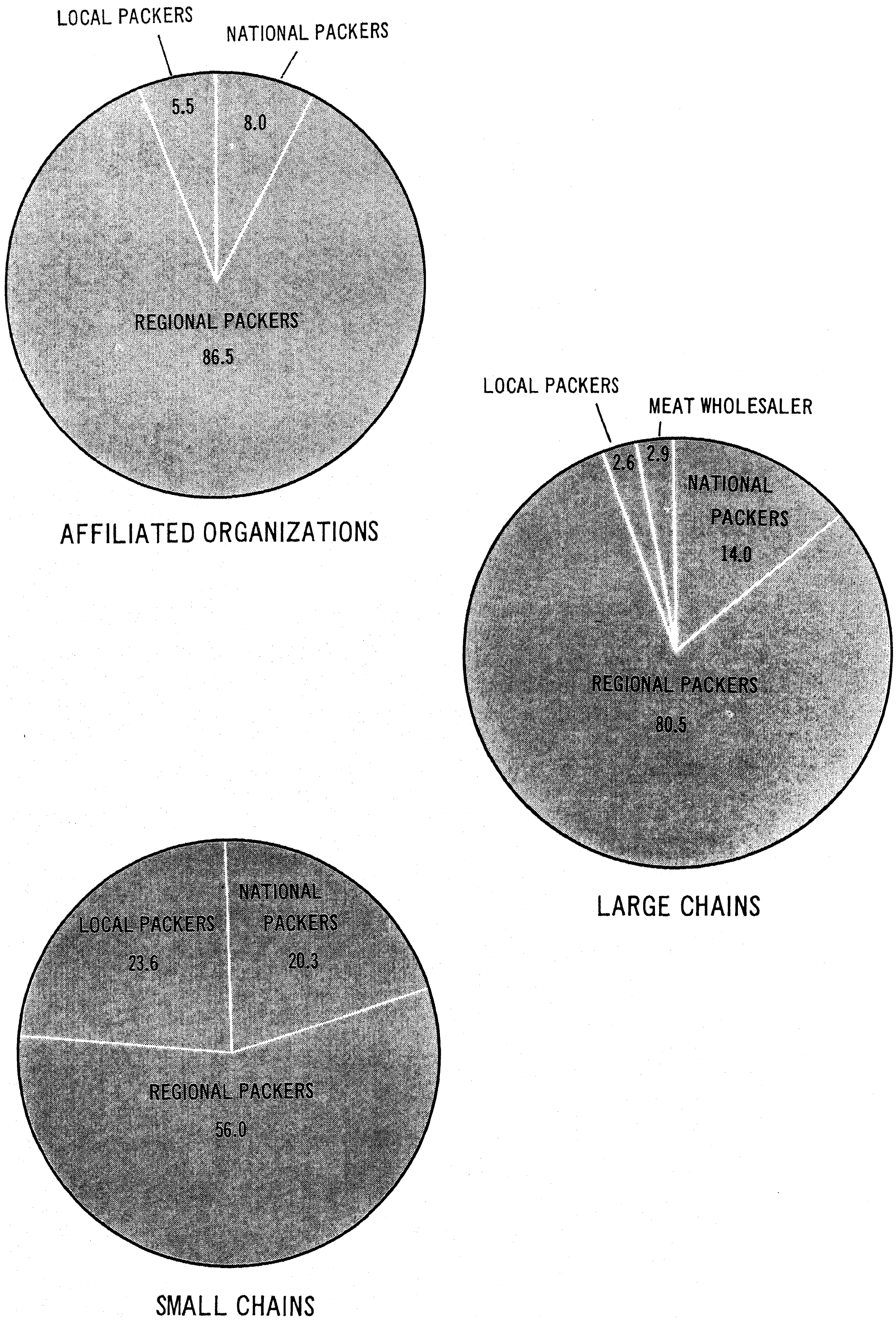

Fig. 3.—Percent of pork loin tonnage obtained from different suppliers.

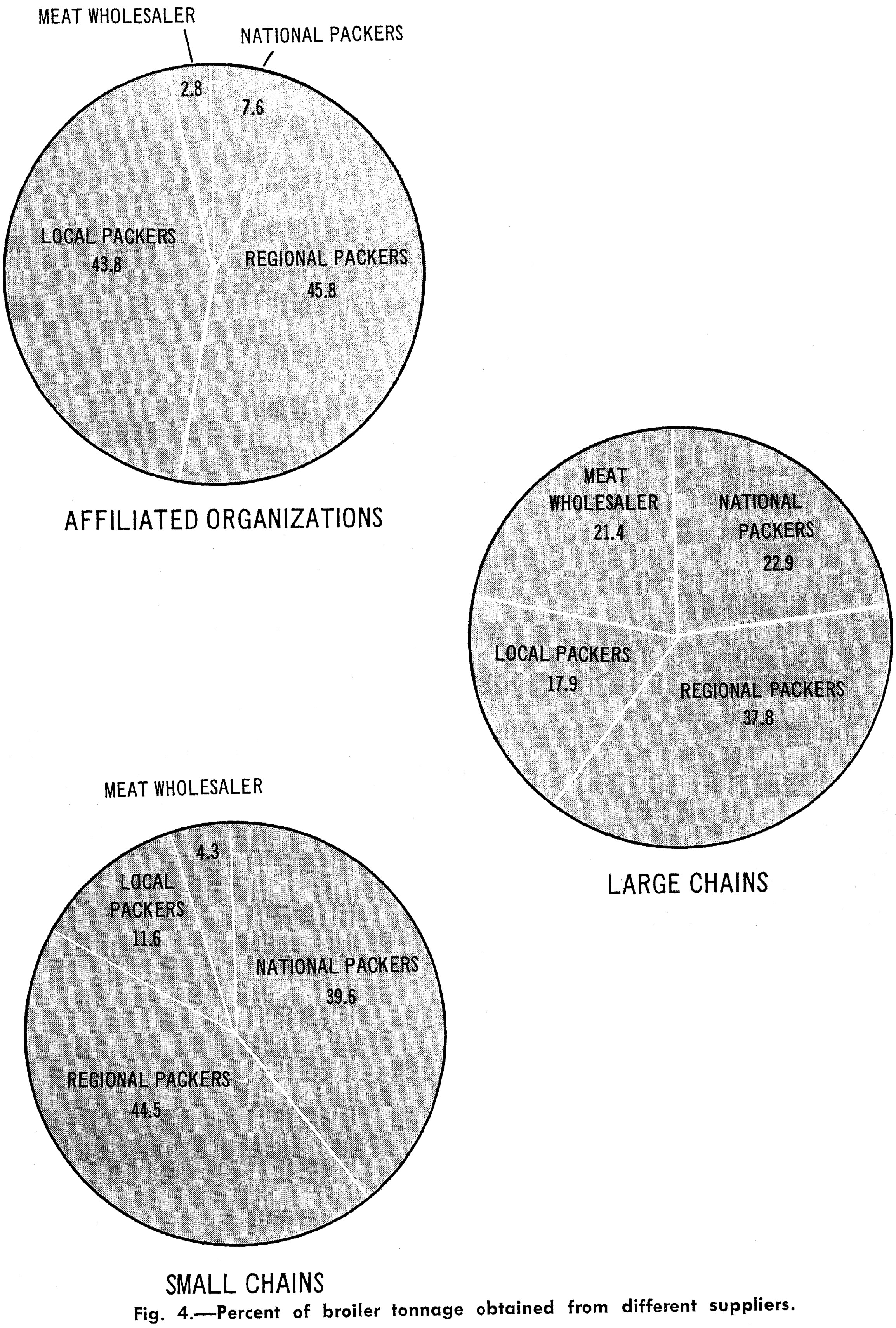

Fig. 4.—Percent of broiler tonnage obtained from different suppliers.

both carcass beef and cuts, purchased by affiliates was supplied by regional packers. National packers supplied only 4-5 percent. Corporate chains used regional packers almost as heavily (60 percent of the beef tonnage) but relied much more heavily on national packers than affiliates, purchasing 25 to 40 percent of their beef tonnage in both cut and carcass form (Figure 2 and Table 5.)

The strength of regional packers was greatest as suppliers of pork loins and most brand-name products. They provided 86 percent of affiliate loin tonnage, up to 80 percent of chain loin tonnage, and 70 to 90 percent of brand-name products except canned hams (Figure 3 and Table 6).

Selection and Dismissal of Suppliers

An apparent reason for the dominance of regional packers in this survey is their great numbers in the Corn Belt states, an area of intense regional packer activity. Moreover, few national packers are located in Ohio and adjacent states. But the pattern of national packers as suppliers of many products to large chains and regional packers as suppliers to smaller chains and affiliated groups is a national occurrence.

Much of the explanation appears to lie in the criteria for selection used when retailers choose their suppliers and thereafter judge them according to their performance in conforming to these criteria. In this selection process, nothing matters more in choosing a supplier than consistency and dependability of both product and service. And nothing will cause order cancellations or supplier dismissals faster than failure in these matters (Figures 5-6 and Tables 7-8).

TABLE 5.—Percentage Distribution of Fresh Meat Tonnage by Source of Supply, Product Class, and Retail Organization, Ohio, 1964-65.*

Product by Retail Organization	Source of Supply: National Packers	Regional Packers	Local Packers	Wholesalers
Fresh Beef				
Affiliated Groups	4.2	72.3	18.5	5.0
Large Chains	40.8	59.0	0.2	0.0
All Chains	30.6	61.4	7.2	0.8
All Retail Firms	17.6	66.5	13.2	2.7
Beef Cuts†				
Affiliated Groups	4.5	70.5	11.0	14.0
Large Chains	28.8	48.2	3.0	20.0
All Chains	23.8	57.2	0.5	18.5
All Retail Firms	13.1	64.3	6.1	16.5
Fresh Pork Loins				
Affiliated Groups	8.0	86.5	5.5	0.0
Large Chains	14.0	80.5	2.6	2.9
All Chains	16.9	69.2	12.3	1.6
All Retail Firms	12.7	77.8	8.6	0.9
Broilers‡				
Affiliated Groups	7.6	45.8	43.8**	2.8
Large Chains	22.9	37.8	17.9	21.4
All Chains	30.6	40.9	15.0	13.5
All Retail Firms	20.1	43.4	27.9	8.6
Veal				
Affiliated Groups	17.5	38.1	44.4	0.0
Large Chains	10.9	68.3	20.8	0.0
All Chains	6.5	51.0	42.5	0.0
All Retail Firms	11.5	45.2	43.3	0.0
Lamb				
Affiliated Groups	41.6	41.6	5.5	11.3
Large Chains	44.2	55.8	0.0	0.0
All Chains	46.5	33.5	20.0	0.0
All Retail Firms	44.2	37.3	13.1	5.4

*Based on tonnage.
†23 percent of total beef purchases were wholesale beef cuts. Purchases ranged from 0-66 percent.
‡10.6 percent of total broiler purchases were wholesale broiler cuts. Purchases ranged from 0-33 percent.
**Many local suppliers both slaughtered and wholesaled broilers. Combined operations were classified as local suppliers.

TABLE 6.—Percentage Distribution of Branded Meat Tonnage by Source of Supply and by Type of Retail Organization, Ohio, 1964-65.

Product by Retail Organization	Source of Supply*			
	National Packers	Regional Packers	Local Packers	Store Processed†
Hams				
Affiliated Groups	4.9	93.9	1.2	0.0
Large Chains	28.4	71.6	0.0	0.0
All Chains	24.6	75.0	0.4	0.0
All Retail Firms	16.3	82.9	0.8	0.0
Canned Hams				
Affiliated Groups	88.9	11.1	0.0	0.0
Large Chains	59.8	40.2	0.0	0.0
All Chains	85.2	14.8	0.0	0.0
All Retail Firms	87.2	12.8	0.0	0.0
Bacon				
Affiliated Groups	9.2	79.0	11.8	0.0
Large Chains	17.0	83.0	0.0	0.0
All Chains	15.7	84.3	0.0	0.0
All Retail Firms	12.8	81.9	5.3	0.0
Wieners				
Affiliated Groups	8.2	86.5	5.3	0.0
Large Chains	16.4	77.8	5.8	0.0
All Chains	12.5	84.0	3.5	0.0
All Retail Firms	10.6	85.3	4.1	0.0
Luncheon Meats				
Affiliated Groups	5.2	90.4	4.4	0.0
Large Chains	9.7	83.3	7.0	0.0
All Chains	8.5	87.1	4.4	0.0
All Retail Firms	6.9	88.6	4.5	0.0
Fresh Sausage				
Affiliated Groups	0.4	85.7	0.8	13.1
Large Chains	5.0	70.1	0.0	24.9
All Chains	3.1	77.4	5.9	13.6
All Retail Firms	1.5	81.2	4.0	13.3

*Includes packer branch houses.

†Occasionally, products in these categories may be received at the retail outlet as a packer brand item but then may be repackaged and sold as a non-branded product. In this sense, some of these products are store processed. However, no data were collected to indicate the percentage of different products handled in this way.

TABLE 7.—Percentage Distribution of Significant Factors in Selecting a Supplier by Type of Retail Organization, Ohio, 1964-65.

Factors	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Dependable service	37.8	14.2	17.9	27.0
Uniform quality	22.7	30.9	19.2	20.8
Meat program	12.1	11.9	19.2	15.9
Lower price	16.6	16.6	10.2	13.1
Reliability, integrity	3.0	26.4	17.9	11.1
Community image	0.0	0.0	11.5	6.2
Packer cooperation	6.0	0.0	1.2	3.4
Personal contact	0.0	0.0	2.9	1.9
Advertising promotion	1.8	0.0	0.0	0.6

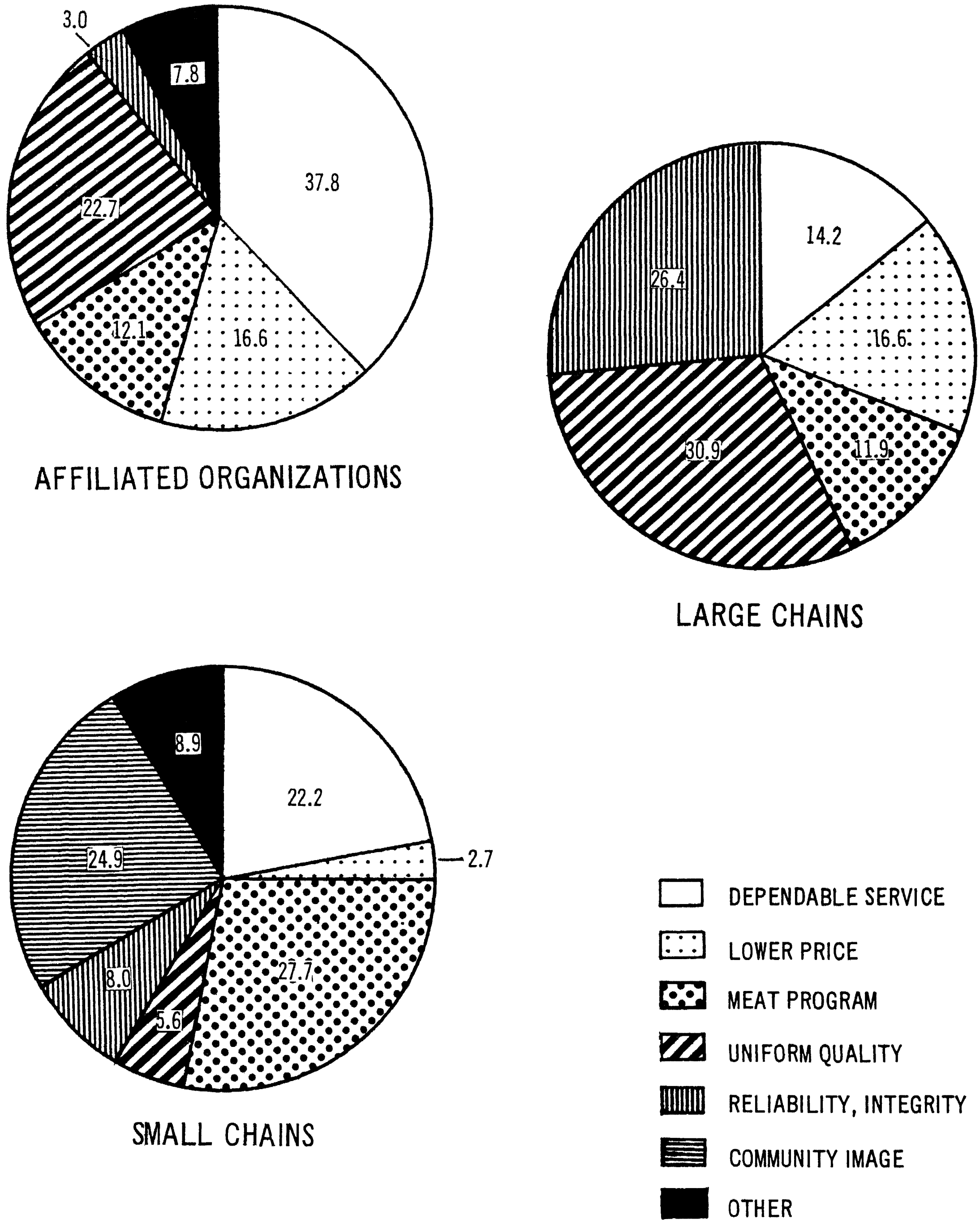

Fig. 5.—Most important factors in selecting a supplier, by percentage of responses.

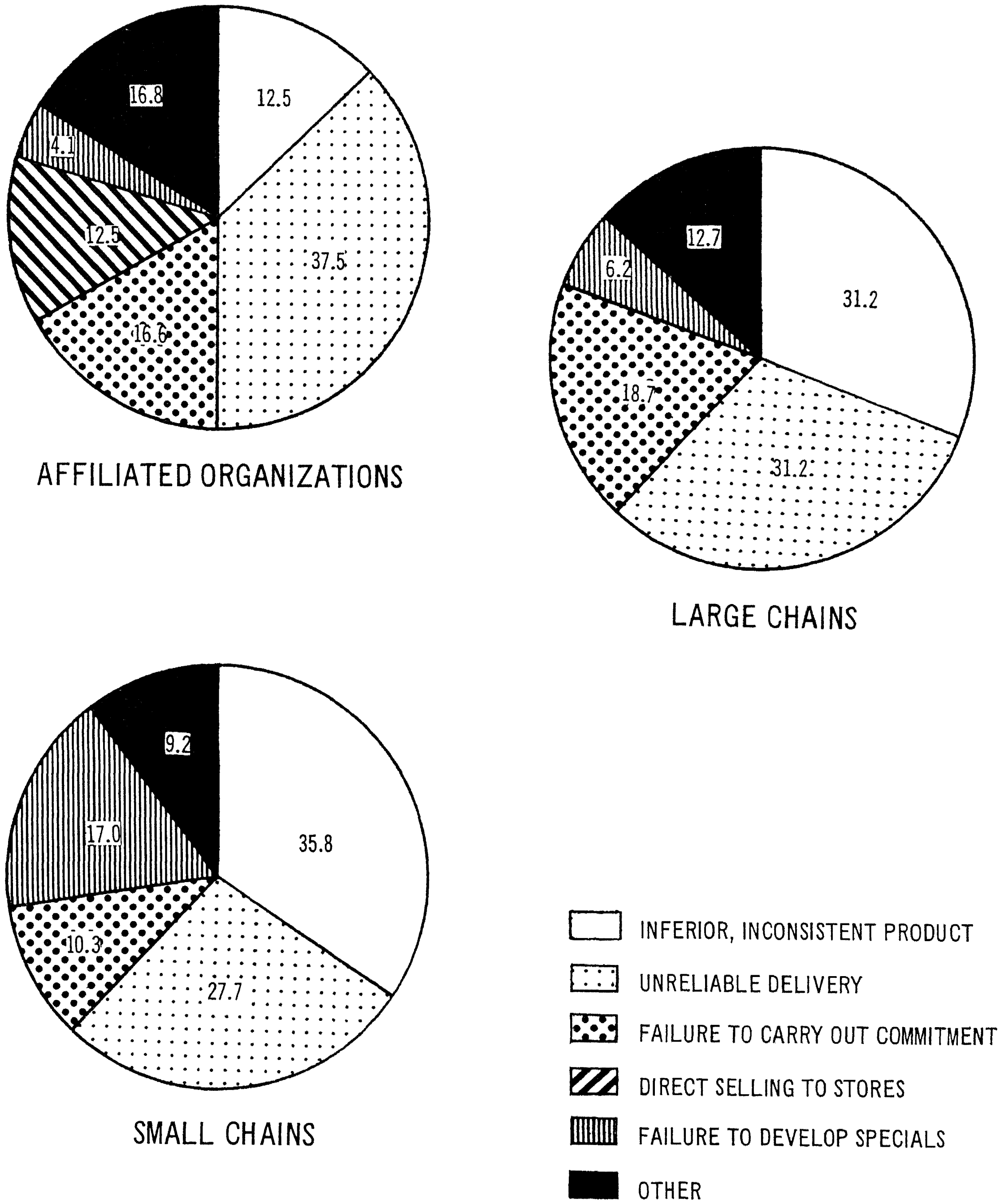

Fig. 6.—Most important factors in causing cancellation of a supplier, by percentage of responses.

TABLE 8.—Percentage Distribution of Factors Significant in Causing Cancellation of a Supplier, by Type of Retail Organization, Ohio, 1964-65.

Factors	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Unreliable delivery	37.5	31.2	29.6	33.3
Inferior, inconsistent product	12.5	31.2	33.3	23.5
Failure to carry out commitment	16.6	18.7	14.8	15.6
Failure to develop specials	4.1	6.2	11.2	7.8
Direct selling to stores	12.5	0.0	0.0	5.8
Misrepresentation	4.1	6.2	3.7	4.0
Overcharging	4.1	0.0	3.7	4.0
Poor claim service	4.1	0.0	0.0	2.0
Consistent higher pricing	4.5	0.0	0.0	2.0
No consumer demand	0.0	6.5	3.7	2.0
	100.0	100.0	100.0	100.0

However, there were interesting differences of emphasis between affiliate and chain meat directors which reflected the differences in their organizations. For example, among affiliates, the most important single criterion in selecting a supplier was *dependable service* and the most common cause for dismissal was *unreliable delivery*. Among large chains, nothing was more critical in selecting a supplier than *uniform quality,* followed closely by *reliability* and *integrity* (Figure 5). Two-thirds of all dismissals occurred for *inferior* or *inconsistent quality* and *unreliable delivery* (Figure 6).

The importance of reliable delivery and service to affiliated organizations indicates the vulnerable position of the affiliated wholesaler. Unreliable delivery by a supplier may result in the loss of a retail account. And, judging from the response in this study, reliable delivery and service pose more of a problem in this regard than product quality. In contrast, chain stores are captive outlets which will not be lost by unreliable supplier services. The chains were concerned about reliable service—but placed as much or more emphasis on product quality.

Other matters also enter into selection and dismissal decisions. The existence and scope of a meat program, price, community image (of brands), and packer cooperation all figured in choosing suppliers. Dismissals occurred for such additional reasons as failure to carry out a commitment, poor claim service, misrepresentation to stores, overcharging, direct sell-

TABLE 9.—Percentage Distribution of Advantages and Disadvantages of National Packers as Suppliers by Type of Retail Organization, Ohio, 1964-65.

Disadvantages and Advantages	Affiliated Groups	Large Chains	All Chains	All Retail Firms
		Percent		
Disadvantages	54.5	42.8	53.8	54.1
Poor distribution system	43.2	20.0	37.5	40.0
Too impersonal	0.0	40.0	25.0	14.2
Inconsistent, poor quality	14.2	20.0	12.5	13.0
No local image	14.2	0.0	12.5	13.0
Ineffective advertising	14.2	0.0	0.0	6.6
Weak sales force	14.2	0.0	0.0	6.6
Price too high	0.0	20.0	12.5	6.6
	100.0	100.0	100.0	100.0
Advantages	45.5	57.2	46.2	45.9
Universal brands	66.6	14.2	30.0	43.7
Wide consumer acceptance	33.4	14.2	10.0	18.7
Complete meat program	0.0	43.2	30.0	18.7
National "free" advertising	0.0	14.2	10.0	6.2
Availability of product	0.0	14.2	10.0	6.2
Personal contacts	0.0	0.0	10.0	6.5
	100.0	100.0	100.0	100.0

TABLE 10.—Percentage Distribution of Advantages and Disadvantages of Regional Packers, by Type of Retail Organization, Ohio, 1964-65.

Disadvantages and Advantages	Affiliated Groups	Large Chains	All Chains	All Retail Firms
No Advantages	0.0	0.0	0.0	0.0
Yes Advantages	100.0	100.0	100.0	100.0
Advantages				
Faster and better distribution	28.0	27.0	28.2	28.1
More effective advertising and promotion	28.0	22.7	20.4	23.4
Local image	16.0	18.0	23.0	20.3
Higher, more consistent quality	24.0	9.0	7.6	14.0
Price	4.0	4.5	10.2	7.8
No volume requirements	0.0	9.8	5.6	3.4
Maintain minimum retail prices	0.0	4.5	2.5	1.5
Personal control	0.0	4.5	2.5	1.5
	100.0	100.0	100.0	100.0

ing to stores, failure to develop specials, and poor consumer demand (Tables 7-8). Given these bases for acceptable and unacceptable supplier performance, the comparative importance of regional and national packers as suppliers is more readily explained.

National Packers

Fifty-five percent of the affiliates and a like percentage of all chains rather categorically dismissed national packers for lack of any particular advantages as suppliers. Forty-three percent of the large chains felt the same way. (Not a single retailer similarly dismissed regional packers as a class.) The most condemning single feature of these packers was failure in their national distribution systems. Other frequently registered complaints were product inconsistency, poor local image, and impersonal attitudes (Table 9). A conclusion from these responses might be that, while retailers (especially the large chains) like to keep relationships impersonal with their suppliers, particularly in matters of product pricing, they do not especially enjoy reciprocity in this attitude, particularly in matters of service.

But national suppliers are not easily dismissed; they have obvious advantages. In the minds of affiliated meat directors, these advantages are completely related to universal brands and wide consumer acceptance. These features, along with product availability and (free) national advertising, also are impressive to chain directors. But the single thing that chain directors find most appealing is the capacity of the national packer to implement a complete meat program. Big buyers like big performance capacity from their suppliers (Table 9).

Regional Packers

Not a single retail firm dismissed regional packers for lack of advantages as suppliers. Most important among these advantages was faster and better distribution but other features also figured prominently. Notable among these were a stronger local image and (perhaps therefore) more effective advertising and promotion. Superior product quality was also cited, particularly by affiliates, as were price, personal control, and the fact that regional suppliers less frequently imposed volume requirements on the buyer (Table 10).

Supplier-Retailer Price Determination and the Impact of Formula Pricing

When centralized procurement becomes a component of a store meat program, detailed product specifications are customarily established.[8] The National Provisioner Yellow Sheet,[9] together with Federal grades and the USDA market news service, form an integral part of the specifications and ensuing prices. On the common basis for communication that is thereby established, the meat director requests his suppliers to submit proposals for a meat service program within a suggested framework of specifications which include quantity, quality, and price. The core of the program is a formula-established price structure for the varying specifications.

The supplier offers a variety of informative suggestions which may include procedures for filling

[8]An alternative and less powerful policy employed by some affiliated groups appears in the form of centralized advertising programs, usually centered on features. Unquestionably, one of the reasons for settling for less than a complete program is again the matter of control: selling an integrated procurement and pricing program to a group of member retailers who cherish their independence as much as they desire mutual service is a job in itself. But since features can make up nearly 50 percent of meat department volume, a central ad program in which features are controlled by the wholesaler can effectively lead members into a modified-formal meat procurement program.

[9]Wholesale price sheet published Monday through Friday by The National Provisioner magazine, 15 West Huron St., Chicago, Ill. 60610.

standing orders, pricing structures for the retail meat department, consumer acceptance of brand-name products in the retail sales area, advertising and promotional programs and budgets for implementing them, and perhaps proposals for a packer or private brand (retailer's label created especially for the retailer's program).

This procedure results in several efficiencies. Buying and selling staffs are reduced in size, purchase and sale by description increases greatly, pricing becomes more certain and much less personal, the power that retailers undeniably possess is more effectively employed in the market, and the competitive strategies of the firm in its respective sales areas are more readily organized and enforced.

Among the firms examined, beef and pork formula prices were based on the Yellow Sheet to which an additional few cents in transportation costs were added to accommodate prevailing prices in Ohio. Normally, the formula price was determined one time per week. Beef prices ranged from 1.5 cents to 5 cents more than Chicago prices, with affiliates permitting the most liberal added allowance and large chains the least. (Chains added 1.5 to 2 cents, affiliates 2-5 cents.) Tuesday and Wednesday were most commonly employed as base days. Pork price formulas also were based on daily Yellow Sheet quotations. These ranged from 2 cents to 6 cents among affiliates and from "plus freight" up to 6 cents among large chains. Formulas were computed largely from price quotations of any weekday except Monday.

Broiler prices based on USDA quotations from Georgia and Pittsburgh were quite varied but generally were determined by applying the USDA price to an agreed upon percentage of liveweight, to which was appended a specified additional amount. These formulas ranged between 70 and 73 percent of liveweight, with an additional amount ranging from handling costs to 9 cents. An alternative procedure was to pay liveweight price plus 12 to 15 cents. Friday price quotations were the most common basis for formula computation.

When veal and lamb price formulas were employed, Yellow Sheet prices were supplemented by 4 to 9 cents, based almost completely on Tuesday or Friday prices. Affiliate formulas were about evenly divided between these two days but chains favored Tuesdays.

All 24 firms employed formula prices in purchasing some or all of their fresh meats (Table 11). Formula pricing was most uniformly and widely applied in beef and pork purchases.[10] Formula rigidity in establishing prices was most common among chains, particularly large chains. Affiliated organizations, although they all employed formula prices for beef and pork, permitted "other considerations" to enter into the pricing decision and some formulas were quite flexible. But completely unstructured competitive pricing in beef or pork purchases was not the policy of any firm. Such open-market pricing played a substantial role, however, in veal and lamb purchases, being employed by 73 percent of the affiliates and approximately half of the chains.

Affiliates, however, permitted less open market pricing of broilers than chains, even large chains (Table 11). In any case, such open-market pricing was small (10-15 percent), even for broilers, and when chains did adopt a formula price, they stuck closer to it than the affiliates.

Deviations from formula prices were common (Table 12). Some of these amounted to seasonal adjustments in annual average price differentials and may in fact have been an integral element of some of the more sophisticated formulas.[11] But windfalls, such as packer surpluses, were frequently exploited by chains. Irregularities such as logistic failures and unexpected moves by competitors also caused some formula exceptions.

Procurement Methods and Procedures

With this framework of relationship between retailers and their suppliers, differences in the purchasing procedures followed by these 24 firms is revealing. In view of the heavy use of formula prices (which include product specifications), it is somewhat surprising, for example, to find that 65-70 percent of fresh beef requirements of affiliates were purchased by personal inspection (Table 13). Chains exerted this kind of effort in purchasing 28 percent of carcass beef and 15 percent of beef cuts.

Considering the acknowledged benefits of specification and formula buying, this level of personal selection—particularly by affiliates—appears unnecessary. This may reflect the affiliates' concern for control of quality standards, particularly since a small proportion of the groups had meat warehouses where such control was possible. Enforcement of weight specifications and insistence on USDA dual grades for beef as a basis for quality and cutability could substantially lessen the need for personal inspection.

[10]Food from Farmer to Consumer, Report of the National Commission on Food Marketing. June 1966. U. S. Government Printing Office. The National Commission on Food Marketings estimated that 41 percent of beef sold in the United States by packers to their major customers in 1964-65 was priced by formula.

[11]Table 12 is highly subjective, being based on open-ended interview questions designed to allow interviewees maximum freedom of response. D.fferences in interpretation of the questions resulted in responses not carefully defined. For example, occurrences regarded by small chain directors as irregular deviations from formulas could have been regarded by affiliate meat directors, many of whom applied more flexible formulas, as within the scope of formula prices.

TABLE 11.—Percentage of Firms Using Formulas or Other Methods to Determine Prices Paid for Various Meat Products, by Type of Retail Organization and Class of Fresh Meat, Ohio, 1964-65.

Retail Organization and Product	Unstructured Competitive Pricing*	Rigid Formulas	Flexible Formulas†
		Percent	
Affiliated Groups			
Beef	0.0	54.5	45.5
Pork	0.0	54.5	45.5
Broilers	9.2	45.5	45.5
Veal	72.6	18.2	9.2
Lamb	72.6	18.2	9.2
Large Chains			
Beef	0.0	100.0	0.0
Pork	0.0	100.0	0.0
Broilers	14.3	85.7	0.0
Veal	57.1	42.9	0.0
Lamb	42.9	57.1	0.0
All Chains			
Beef	0.0	100.0	0.0
Pork	0.0	100.0	0.0
Broilers	15.4	84.6	0.0
Veal	61.5	38.5	0.0
Lamb	46.2	53.8	0.0
All Retail Firms			
Beef	0.0	79.2	20.8
Pork	0.0	79.2	20.8
Broilers	12.5	66.7	20.8
Veal	66.6	29.2	4.2
Lamb	58.3	37.5	4.2

*Pricing without the aid or utilization of formula.

†Perhaps involving little more than "cost plus freight" and subject to amendments and alterations in view of competitors' actions, cutout tests, store requirements, etc. May involve only features.

TABLE 12.—Percentage of Retail Organizations Allowing Exceptions to Formula Prices, Ohio, 1964-65.

Exceptions	Affiliated Groups	Large Chains	All Chains	All Retail Firms
			Percent	
Irregular	0.0	0.0	8.1	4.0
Seasonal	44.9	28.9	16.3	29.1
Packer Surplus (lower price)	8.7	28.9	21.6	16.7
None	46.4	42.2	54.0	50.2
	100.0	100.0	100.0	100.0

TABLE 13.—Percentage of Fresh Meat Products Purchased by Personal Inspection by Type of Retail Organization, Ohio, 1964-65.

Product	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Beef	70.5	28.5	27.6	40.6
Beef cuts	64.1	17.8	15.0	37.5
Broilers	0.9	22.8	12.3	7.0
Veal	62.3	30.0	16.1	37.2
Lamb	45.9	27.1	14.6	28.9

TABLE 14.—Percentage Distribution of Purchase Methods Employed by Grocery Retailers, by Type of Retail Organization, Ohio, 1964-65.

Product by Retail Organization	Purchase Method		
	Sales Call	Telephone Order	Mail Order
Fresh Beef			
Affiliated Groups	23.3	76.7	0.0
Large Chains	30.9	62.8	6.3
All Chains	34.7	61.0	4.3
All Retail Firms	28.7	68.4	2.9
Pork Loins			
Affiliated Groups	27.6	72.4	0.0
Large Chains	34.6	57.7	7.7
All Chains	50.0	44.7	5.3
All Retail Firms	39.1	58.1	2.8
Broilers			
Affiliated Groups	0.0	100.0	0.0
Large Chains	0.0	100.0	0.0
All Chains	9.1	90.9	0.0
All Retail Firms	5 0	95.0	0.0
Veal			
Affiliated Groups	26.7	73.3	0.0
Large Chains	11.1	88.9	0.0
All Chains	28.5	71.5	0.0
All Retail Firms	27.2	72.8	0.0
Lamb			
Affiliated Groups	35.7	64.3	0.0
Large Chains	10.0	90.0	0.0
All Chains	26.6	73.4	0.0
All Retail Firms	30.9	69.1	0.0
Hams			
Affiliated Groups	23.0	77.0	0.0
Large Chains	40.0	50.0	10.0
All Chains	53.3	40.0	6.7
All Retail Firms	39.2	57.0	3.8
Canned Hams			
Affiliated Groups	11.1	88.9	0.0
Large Chains	40.0	50.0	10.0
All Chains	56.7	39.9	3.4
All Retail Firms	39.5	58.2	2.3
Bacon			
Affiliated Groups	26.8	73.2	0.0
Large Chains	42.3	42.3	15.4
All Chains	58.8	31.2	10.0
All Retail Firms	42.2	51.0	6.8
Wieners			
Affiliated Groups	25.4	74.6	0.0
Large Chains	50.0	39.3	10.7
All Chains	60.0	32.5	7.5
All Retail Firms	43.1	52.8	4.1
Luncheon Meats			
Affiliated Groups	33.3	66.7	0.0
Large Chains	61.7	34.5	3.8
All Chains	70.0	27.5	2.5
All Retail Firms	56.1	42.0	1.9
Fresh Sausage			
Affiliated Groups	97.5	2.5	0.0
Large Chains	72.3	22.1	5.6
All Chains	75.0	21.7	3.3
All Retail Firms	84.0	14.0	2.0

TABLE 15.—Average Number of Suppliers of Fresh Meat by Type of Retail Organization and Supplier, Ohio, 1964-65.

Product by Retail Organization	National Packers	Regional Packers	Local Packers	Wholesalers
Beef				
Affiliated Groups	0.5	2.9	0.6	0.3
Large Chains	2.3	3.1	0.3	0.0
All Chains	0.8	1.7	0.3	0.8
All Retail Firms	0.7	2.2	0.4	0.6
Pork				
Affiliated Groups	0.7	2.8	0.6	0.0
Large Chains	0.9	2.3	0.1	0.1
All Chains	0.7	1.5	0.3	0.1
All Retail Firms	1.5	2.1	0.4	0.04
Broilers				
Affiliated Groups	0.2	2.0	1.0	0.5
Large Chains	0.6	1.1	0.7	0.1
All Chains	0.3	0.8	0.7	0.1
All Retail Firms	0.3	1.3	0.8	0.3
Veal				
Affiliated Groups	0.3	0.8	0.9	0.0
Large Chains	0.3	1.0	0.5	0.0
All Chains	0.2	0.7	0.5	0.0
All Retail Firms	0.3	0.7	0.7	0.0
Lamb				
Affiliated Groups	1.2	0.8	0.3	0.0
Large Chains	1.1	1.0	0.0	0.1
All Chains	0.8	0.4	0.4	0.05
All Retail Firms	1.0	0.4	0.4	0.04

Approximately three-fourths of all orders were placed by telephone and almost all of the remainder with visiting salesmen. These orders were placed several days in advance of delivery with a variety of suppliers. Except for beef, where three-fourths of the product was weighed at the store, payments generally were based on supplier invoice weights (50-65 percent of most fresh meats and 90 percent of processed meats were bought on invoice weights). Generally, more sales calls were associated with branded products, particularly luncheon meats and sausage, than with fresh meats. Broiler orders were handled almost exclusively by telephone. A somewhat higher percentage of telephone orders occurred among affiliates than chains; sales calls were more heavily utilized by chains, particularly small chains (Table 14).

Affiliates typically dealt with more suppliers (Tables 15-16), placed orders fewer days in advance of need, and placed more orders per week than chains (Tables 17, 18, 19). For example, while chains accomplished most of their beef purchases with one or two orders per week, affiliates placed at least two orders per week and in nearly 40 percent of the cases made daily orders. The difference in ordering procedures probably reflects the lower amount of control over retail outlets by affiliated wholesalers, which presents several uncertainties not encountered by chains.

COMPETITIVE PRACTICES AND STRATEGY AT RETAIL

The control devices of central warehousing and procurement, articulated by formula pricing, serve to support the third and most significant element of the meat program: central planning of retailing practices.

The complexities of retail meat department management have been examined elsewhere.[12] Certain price and non-price competitive practices, including advertising, features, margins, and the use of private labels, were discussed with meat directors. Their appraisals of policies and activities in these areas are related in this section.

Retail Sales Mix

Fresh beef was the dominant product in the meat department, accounting for 41 percent of total sales, including frozen meats.[13] Fresh pork, poultry,

[12]See, for example: Marion, B. W., L. E. Ott, and F. E. Walker. 1966. Meat Department Labor Requirements: A Tool for Improved Retail Management. Ohio Agri. Res. and Dev. Center, Res. Bull. 982.

[13]Policy concerning frozen meat sales varies among firms. These products may or may not be included as part of meat department sales. For comparative purposes in this survey, they have been uniformly treated as part of meat department sales.

TABLE 16.—Number and Type of Branded Meat Product Suppliers by Type of Retail Organization, Ohio, 1964-65.*

Product by Retail Organization	Suppliers† National Packers	Regional Packers	Local Packers	Wholesalers
Hams				
Affiliated Groups	0.4	3.5	0.4	4.3
Large Chains	1.0	1.5	0.0	2.5
All Chains	1.0	1.5	0.0	2.5
All Retail Firms	0.7	2.4	0.2	2.3
Canned Hams				
Affiliated Groups	2.2	0.1	0.0	2.3
Large Chains	1.5	0.3	0.0	1.8
All Chains	1.5	0.2	0.0	1.7
All Retail Firms	1.8	0.2	0.0	2.0
Bacon				
Affiliated Groups	0.9	3.3	0.5	4.7
Large Chains	0.6	2.6	0.2	3.4
All Chains	1.1	2.3	0.1	3.5
All Retail Firms	1.0	2.7	0.3	4.0
Wieners				
Affiliated Groups	0.9	3.3	0.8	5.0
Large Chains	1.3	3.2	0.2	4.7
All Chains	1.0	2.8	0.2	4.0
All Retail Firms	1.1	3.0	0.4	4.5
Luncheon Meats				
Affiliated Groups	0.6	3.2	0.4	4.2
Large Chains	1.3	3.3	0.9	5.5
All Chains	0.9	2.9	3.0	4.5
All Retail Firms	0.8	3.0	0.6	4.4
Fresh Sausage				
Affiliated Groups	0.2	2.3	0.2	2.7
Large Chains	0.5	3.0	0.7	4.2
All Chains	0.3	2.3	0.6	3.2
All Retail Firms	0.3	2.3	0.4	3.0

*This refers to the number of suppliers used by the meat directors and buyers of these organizations and does not indicate the number of brands carried on retail shelves. A retailer may obtain more than one supplier brand as well as private-retail brands from any one supplier. On the other hand, there is no certainty that all suppliers will be utilized in all outlets every week.

†Includes packer branch houses.

TABLE 17.—Days in Advance of Retail Sale That Purchases of Fresh Meat Products Are Made by Type of Retail Organization and Class of Meat Product, Ohio, 1964-65.

Product	Affiliated Groups Non-Features	Affiliated Groups Features	Large Chains Non-Features	Large Chains Features	All Chains Non-Features	All Chains Features	All Retail Firms Non-Features	All Retail Firms Features
Beef	8.0	12.0	9.0	12.0	7.0	9.0	7.5	9.6
Beef cuts	6.0	12.0	8.0	10.0	7.0	8.0	6.5	10.0
Pork loins	4.0	9.0	4.0	10.0	5.0	8.0	4.5	8.4
Broilers	5.0	10.0	4.0	11.0	4.0	9.0	4.5	9.5
Veal	3.0	10.0	4.0	12.0	5.0	9.0	4.0	9.4
Lamb	3.0	9.0	4.0	11.0	5.0	9.0	4.1	9.0
Branded products	3.0	9.0	4.0	11.0	5.0	9.0	4.1	9.0

and smoked meats, each accounting for 12-13 percent of total sales, were the sales categories next in importance. However, aggregate sales of these three products seldom exceeded total beef sales (Table 20).

Brand-name products accounted in total for about 27 percent of sales, ranging from 12 to 38 percent. Bacon, wieners, and luncheon meats, each accounting for about 20 percent of branded product sales, were the leading items, followed in order by smoked hams, sausage, and canned hams (Table 21). Similarities in respect to this total sales breakdown were greater among all firms than were differences, although somewhat more diversified sales breakdowns were characteristic of affiliates than of chains.

Private Label Meat Products

Nationally, sales of private label brands typically represent less than 25 percent of total branded meat sales.[14] In this study, private labels as a group represented 13.7 percent of total branded meat sales and 3.7 percent of total meat sales.

Private labels were most actively utilized for bacon. Two-thirds of the retail organizations studied handled private label bacon and reported it constituted 30 percent of their bacon sales. Wieners were next in popularity, with 34 percent of the firms carrying private labels which represented 17 percent of wiener sales. Private label wieners were particularly important in affiliated organizations, representing 41 percent of their wiener sales. Luncheon meats were popular private label items among the large chains. Fresh sausage sometimes carried a private label, particularly in chain organizations. Smoked hams and canned hams were products which seldom carried private labels (Table 22).

The great majority of private label products were supplied by regional packers. When smoked or canned hams were privately labeled, however, they usually had been obtained from national packers. Local packers supplied most of the private label sausage or at least the meat ingredients when the product was prepared in the store or warehouse.

Gross Margins

Realized margins, figured as a percent of sales, ranged from 19 to 23 percent and averaged 21.5 percent, thus corresponding closely with national aver-

[14]Special Studies in Food Marketing, National Commission on Food Marketing. June 1966. Tech Study No. 10, p. 2.

TABLE 18.—Percentage Distribution of the Number of Retail Orders Given to Suppliers by Type of Retail Organization and Class of Fresh Meat, Ohio, 1964-65.

Product by Retail Organization	Number of Orders per Week				Plus Order for Features
	1	2	3	Daily	
Fresh Beef					
Affiliated Groups	0.0	36.2	25.1	38.7	0.0
Large Chains	53.2	31.6	7.6	2.8	4.8
All Chains	39.2	31.5	13.2	13.3	2.8
All Retail Firms	15.6	34.1	20.5	28.5	1.3
Pork Loins					
Affiliated Groups	0.0	34.4	28.2	37.4	0.0
Large Chains	12.4	56.1	28.5	3.0	0.0
All Chains	13.6	59.2	20.4	6.8	0.0
All Retail Firms	7.8	48.6	24.1	19.5	0.0
Broilers					
Affiliated Groups	0.0	15.6	27.0	57.4	0.0
Large Chains	15.0	30.0	15.0	5.0	35.0
All Chains	19.1	30.9	15.6	7.6	26.8
All Retail Firms	8.1	22.3	22.3	35.9	11.4
Veal					
Affiliated Groups	6.7	43.3	13.5	36.6	0.0
Large Chains	20.0	50.0	30.0	0.0	0.0
All Chains	26.7	39.9	26.6	6.8	0.0
All Retail Firms	16.6	36.6	25.0	21.8	0.0
Lamb					
Affiliated Groups	13.4	33.3	26.7	26.6	0.0
Large Chains	22.2	33.3	33.3	0.0	11.2
All Chains	28.6	28.5	28.6	7.2	7.1
All Retail Firms	20.6	31.2	27.6	17.2	3.4

TABLE 19.—Percentage Distribution of the Number of Orders per Week, by Type of Retail Organization and by Class of Branded Meat Product, Ohio, 1964-65.

Product by Retail Oranization	Number of Orders per Week				
	1	2	3	Daily	Infrequent
Hams					
Affiliated Groups	0.0	38.2	30.6	30.2	0.0
Large Chains	40.9	27.3	25.8	6.0	0.0
All Chains	34.3	44.2	17.6	3.9	0.0
All Retail Firms	19.4	41.7	23.3	15.6	0.0
Canned Hams					
Affiliated Groups	0.0	37.0	0.0	0.0	63.0
Large Chains	14.3	0.0	0.0	0.0	85.7
All Chains	50.0	0.0	0.0	0.0	50.0
All Retail Firms	30.0	15.0	0.0	0.0	55.0
Bacon					
Affiliated Groups	0.0	21.2	42.2	36.6	0.0
Large Chains	38.5	30.8	23.0	7.7	0.0
All Chains	36.3	42.5	16.6	5.6	0.0
All Retail Firms	19.6	33.0	27.9	19.5	0.0
Wieners					
Affiliated Groups	0.0	34.6	27.1	38.3	0.0
Large Chains	40.9	27.3	25.8	6.0	0.0
All Chains	35.3	44.1	16.7	3.9	0.0
All Retail Firms	15.2	42.6	21.3	20.9	0.0
Luncheon Meats					
Affiliated Groups	0.0	29.5	35.3	35.2	0.0
Large Chains	40.9	27.3	25.8	6.0	0.0
All Chains	35.3	44.1	16.7	3.9	0.0
All Retail Firms	19.2	34.1	31.3	15.4	0.0
Fresh Sausage					
Affiliated Groups	0.0	22.1	49.1	28.8	0.0
Large Chains	7.5	62.5	30.0	0.0	0.0
All Chains	11.7	68.2	20.1	0.0	0.0
All Retail Firms	6.0	45.8	34.0	14.2	0.0

TABLE 20.—Percentage Distribution of Retail Meat Sales Volume by Meat Class and Retail Organization, Ohio, 1964-65.

Meat Class	Affiliated Groups		All Chains		All Retail Firms	
	Average	Range	Average	Range	Average	Range
Beef	39.9	35-55	42.0	36-54	41.2	35-55
Fresh pork	14.7	10-25	10.6	6-20	12.2	6-25
Fresh poultry	11.6	9-17	13.9	8-21	13.0	8-21
Veal*	1.5	1-4	1.1	0.5-2	1.2	0.5-4
Lamb	0.9	0-2	0.9	.05-2	0.9	0-2
Smoked meats	12.8	7-15	12.4	7-20	12.6	7-20
Fresh sausage	2.3	0.2-5	3.1	0.9-6	2.8	0.2-6
Cooked meats	9.7	3-17	8.0	0.2-16	8.5	0.2-17
Frozen meats†	1.9	0.0	4.4	.25-9	4.1	0.25-9
Miscellaneous	4.7	0.0	3.6	0.0	3.5	0.0
	100.0		100.0		100.0	

*The percentage of veal and lamb in some operations was extremely small and in many instances was combined into one volume figure. The affiliated stores kept very few detailed records on volume except for beef, fresh pork, and fresh poultry. This is reflected in the high percentage of stores listed as non-reporting.

†Not included as meat department in many stores.

ages.[15] Part of this variation in margins reflected again the influence of central warehousing or at least the prior preparation of meats at locations outside the retail unit. Firms which reported services such as cutting and packaging at warehouses or elsewhere also frequently reported lower retail margins. But part of the margin variation was also related to firm size and overall firm policy. For example, large chains frequently displayed lower margins than small chains and affiliates. Some firms indicated that a relatively low margin in meat was part of their competitive strategy.

Shrinkage, reprocessing, spoilage, and theft were marketing loss factors accounting for differences between attempted and realized gross margins, which ranged from 1 percent for luncheon meats to as much as 6 or 7 percent for broilers, veal, and lamb. Spreads between realized and attempted gross margins for fresh meats more typically approximated 3-4 percent (Table 23).

[15]Organization and Competition in the Livestock and Meat Industry, National Commission on Food Marketing. June 1966. Tech. Study No. 1, p. 82. This report indicated a range in meat margins for 1964 of 19.4 to 23.4 percent. The typical (or median) meat gross margin of Super Market Institute member firms was 21.9 percent of sales.

Most firms attempted a 1.5 to 2 percent higher gross margin on manufacturer brand items than on private label brands. Presumably, because they experienced higher marketing loss on private brands, their realized gross margins were about 2.5 percent higher on manufacturer brands of both pork products and luncheon meats.[16]

Pricing, Price Specials, and Margins

Product pricing procedures reflected the intensely competitive nature of meat retailing. All firms, with costs and margin goals firmly in mind, priced products within the restrictive framework permitted by competitors' prices. Although net profit goals, product mix, cutout test results, volume and turnover, brand loyalty, and other factors entered into the pricing decisions, competitors' prices were the dominant consideration (Figure 7 and Table 24).

In consequence, the actions of competitors also were the principal consideration entering the deci-

[16]Gross margin data by product category were estimated by meat directors. In general, the estimates of attempted gross margin are probably more accurate than those for realized gross margin for product categories. Since the large majority of firms do not employ the burdensome procedures necessary to accurately determine marketing loss by product category, the difference between attempted and realized margins must be estimated.

TABLE 21.—Percentage of Branded Meat Sales Represented by Six Product Categories, by Type of Retail Organization, Ohio, 1964-65.

Branded Product	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Hams				
Average*	15.6	16.8	17.4	16.3
Range	10-21	7-30	7-30	7-30
Canned Hams				
Average	5.2	5.8	5.1	5.1
Range	1-13	1-14	1-14	1-14
Bacon				
Average	21.3	20.0	18.6	19.8
Range	16-29	14-25	11-25	11-29
Wieners				
Average	20.7	17.8	18.0	19.2
Range	15-27	10-21	10-22	10-27
Luncheon Meats				
Average	21.2	21.5	23.3	22.3
Range	10-28	10-32	10-32	10-32
Fresh Sausage				
Average	6.8	10.5	11.0	9.1
Range	3-10	8-15	4-20	3-20
Total Branded Meat Sales as Percent of Department Sales				
Average	27.2	25.6	27.5	27.4
Range	12-38	14-35	14-36	12-38

*Percentages do not add up to 100.0 as all branded meat products are not included in these six categories. In general, these categories account for about 90% of branded meat sales.

sions to offer price specials (Table 25). There were also other considerations in offering specials. For example, affiliates were closely attuned to customer paydays and to the customer responsiveness which accompanies temporary affluence. But large chains also were careful to feature products which registered strong customer appeal and currently were enjoying a period of wide margins. National promotion programs, the promotions of particular suppliers, and the purchase price of particular products also were considered in planning features.

When asked to rank meat classes in their power to attract customers to the retail store, meat directors placed beef a strong first, broilers next, fresh pork third, and smoked pork last. As to the individual items within each meat class which were most successful as features, beef chuck, pork chops, ham, and whole broilers were identified. Beef chuck and round steak were considered best of all feature performers in terms of customer appeal and in maintaining the meat department profit structure (Table 26).

Chain organizations seemed more aware than affiliates of the effects that featured items had on sales volume of competing products in the display case (Figure 8 and Table 27). Large chains tended to feel that beef features increased beef sales volume but were associated with decreased sales of pork and broilers during the feature period. However, broiler features had no corresponding effect on the sales of either beef or pork and pork features did not have an appreciable effect on broiler or beef volume.

Small chains agreed generally with these large chain observations, except on the effect of beef features. The majority of the small chain meat directors indicated beef features did not appreciably affect pork or broiler sales.

TABLE 22.—Private Label Meat Products as Percent of Branded Meat Category Sales, by Type of Retail Organization and Packer-Supplier, Ohio, 1964-65.

Product by Retail Organization	National Packers	Regional Packers	Local Packers	Total	
				Average	Range
			Percent		
Hams					
Affiliated Groups	0.0	0.5	0.0	0.5	0-5
Large Chains	3.4	1.2	0.0	4.6	0-24
All Chains	2.0	0.5	0.0	2.5	0-24
All Retail Firms	1.1	0.6	0.0	1.7	0-24
Canned Hams					
Affiliated Groups	7.0	0.0	0.0	7.0	0-60
Large Chains	0.0	0.0	0.0	0.0	0-0
All Chains	0.0	0.0	0.0	0.0	0.0
All Retail Firms	3.3	0.0	0.0	3.3	0-60
Bacon					
Affiliated Groups	1.0	35.6	4.4	41.0	0-80
Large Chains	0.5	14.1	0.0	14.6	0-50
All Chains	0.3	21.4	0.0	21.7	0-96
All Retail Firms	0.6	27.5	1.9	30.0	0-96
Wieners					
Affiliated Groups	1.0	13.3	1.8	16.1	0-30
Large Chains	0.8	11.7	5.0	17.5	0-50
All Chains	0.5	14.3	2.9	17.7	0-90
All Retail Firms	0.7	13.9	2 4	17.0	0-90
Luncheon Meats*					
Affiliated Groups	1.1	7.2	0.5	8.8	0-30
Large Chains	1.4	20.0	6.7	38.1	0-50
All Chains	0.8	11.7	3.9	16.4	0-50
All Retail Firms	0.9	9.7	2.4	13.0	0-50
Fresh Sausage†					
Affiliated Groups	0.3	0.9	0.0	1.2	0-8
Large Chains	0.0	5.2	11.4	16.6	0-80
All Chains	0.0	3.0	10.8	13.8	0-80
All Retail Firms	0.1	1.9	6.5	8.4	0-80

*These data do not include a significant volume of packer branded luncheon meat delivered to retail outlets in bulk form and then sliced, packaged, and sold as private labeled or non-labeled product.
†Includes store-made brands.

TABLE 23.—Gross Margins Attempted and Realized by Retail Organization and by Class of Meat Product, Ohio, 1964-65.

Product	Affiliated Groups		Large Chains		All Chains		All Retail Firms	
	Attempted	Realized	Attempted	Realized	Attempted	Realized	Attempted	Realized
Beef								
Average	22.7	19.3	21.8	18.2	23.5	19.2	23.2	19.3
Range	18-27	18-21	18-25	13-22	18-30	13-22	18-30	13-21
Pork Loins								
Average	29.3	26.8	26.7	24.3	27.3	23.7	28.2	25.1
Range	25-38	20-38	20-35	20-30	20-35	18-27	20-38	18-38
Broilers								
Average	28.4	24.7	27.1	20.7	26.4	21.2	27.3	22.8
Range	20-35	12-33	20-30	5-30	20-30	5-30	20-35	5-33
Veal								
Average	26.3	18.4	28.3	24.7	26.5	23.1	26.4	21.0
Range	20-38	15-28	25-30	10-30	25-30	10-30	20-38	10-30
Lamb								
Average	29.4	22.1	26.8	22.3	26.2	21.7	27.6	21.8
Range	20-45	0-30	21-35	10-30	21-35	10-30	20-45	0-30
Packer Brands:								
Pork*								
Average	27.9	26.6	26.7	24.3	25.6	24.2	26.6	25.3
Range	25-30	25-30	25-30	20-30	22-30	20-30	22-30	20-30
Luncheon Meats†								
Average	28.6	27.2	29.3	27.5	27.9	26.9	28.2	27.1
Range	25-30	25-30	25-32	20-32	24-32	20-32	24-32	20-32
Private Brands:								
Pork*								
Average	25.2	23.5	26.6	22.0	25.4	22.0	25.2	22.8
Range	18-30	18-25	20-35	20-38	20-35	18-28	18-35	18-28
Luncheon Meats†								
Average	26.6	25.5	27.6	25.2	26.0	24.0	26.3	24.7
Range	25-30	20-30	25-30	20-30	28-30	18-30	20-30	18-30
Total Department								
Average		21.4		21.5		21.5		21.5
Range		19-23		21-22		21-22		19-23

*Bacon, hams, picnics, etc.
†Cooked meats, wieners, etc.

TABLE 24.—Percentage Distribution of Factors Considered by Retailers When Establishing Retail Meat Prices, by Type of Retail Organization, Ohio, 1964-65.

Factors	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Competitors' prices	35.1	33.3	36.9	36.1
Gross margin	21.0	20.5	15.4	18.0
Costs	24.4	12.8	7.7	15.6
Product mix	7.0	0.0	4.6	5.7
Predetermined margin	5.3	7.7	4.6	4.9
Volume and turnover	1.8	7.7	7.7	4.9
Customer brand loyalty	0.0	7.7	7.7	4.2
Cutting test	1.7	0.0	4.6	3.2
Market conditions	0.0	7.7	4.6	2.5
Formula	0.0	0.0	4.6	2.5
Net profit	3.5	0.0	0.0	1.6
Miscellaneous	0.2	2.6	1.6	0.8
	100.0	100.0	100.0	100.0

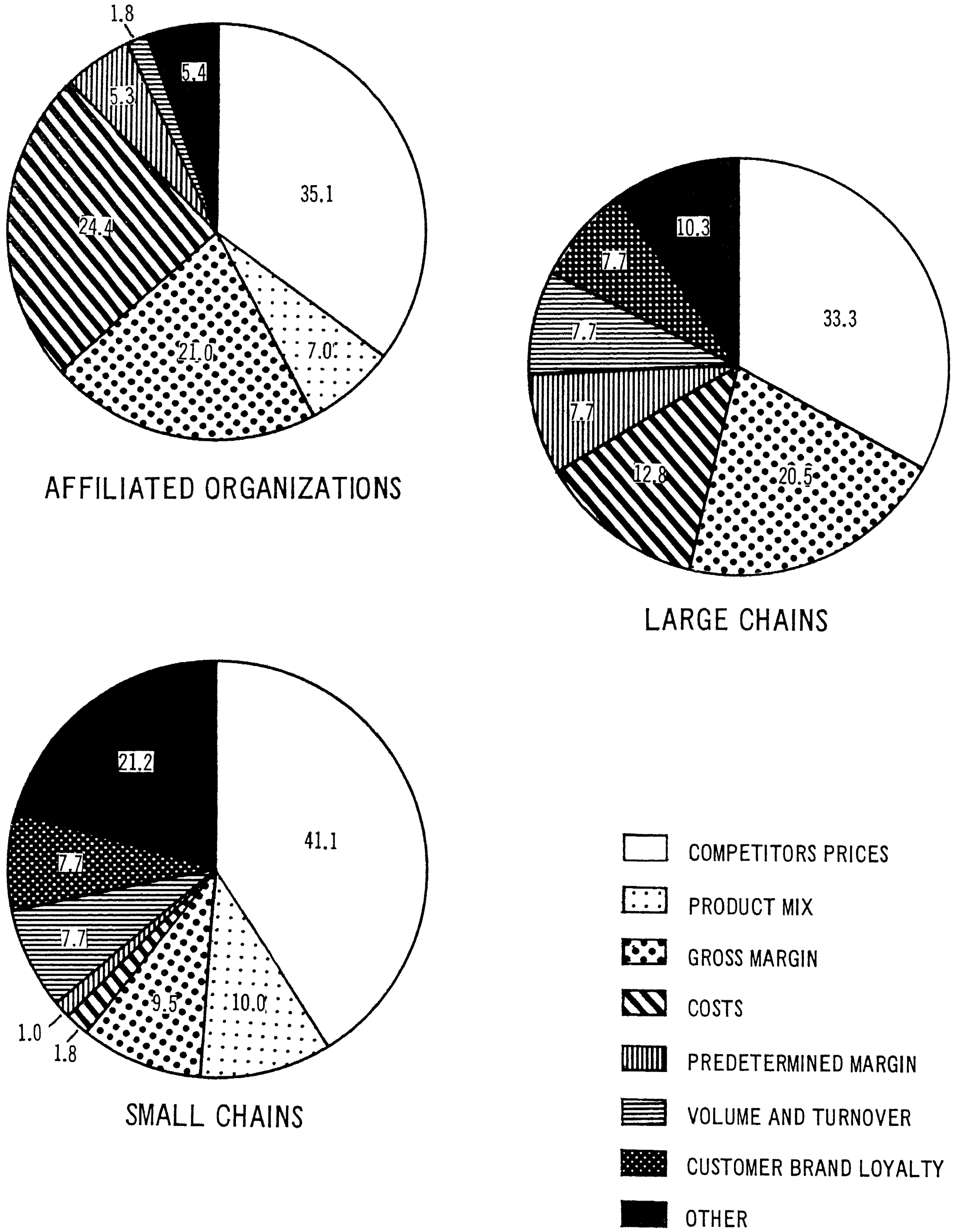

Fig. 7.—Factors considered by retail firms when establishing retail meat prices, by percentage of responses.

TABLE 25.—Percentage Distribution of Factors Considered in Decisions to Feature Particular Meat Products, by Type of Retail Organization, Ohio, 1964-65.

Factors	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Competitors' advertising	12.8	9.2	11.7	12.2
Customers recently paid	14.3	9.8	9.7	11.8
Suppliers' promotion	9.5	8.3	10.0	9.8
Customer appeal	8.8	18.4	10.4	9.7
Purchase price	7.5	0.0	7.0	7.3
Period of wide margins	5.3	11.3	7.5	6.5
National promotion	6.5	4.7	5.3	5.9
Customers not recently paid	6.2	6.4	4.8	5.4
Day of week	4.4	3.0	4.4	4.4
Product quality	5.4	2.6	3 0	4.1
Seasonal	4.1	3.4	4.1	4.1
Period of narrow margins	1.8	6.4	3.8	2.9
Introduce new product	4.0	2.4	1.9	2.8
Variety	1.8	3.0	3 0	2.5
Other*	7.6	11.1	13.4	10.6
	100.0	100.0	100.0	100.0

*Included package design, weather, previous week's ad, regional, clearing inventories, ad cycle, and personal relationship.

Affiliate meat directors were more divided in their opinion and, perhaps reflecting some confusion on the matter, more frequently declined to make any judgments (Table 27). Since, unlike their chain counterparts, they are not responsible for the retail store operation, they may have less knowledge of feature impact on competing products in the meat case.

Advertising and Promotion[17]

Advertising and promotional budgets for these firms averaged slightly more than 1.0 percent and ranged from 0.5 to 2.0 percent of total store sales. Affiliates and large chains average 1.5 percent; small chains 1.0 percent.

The share of this budget which was allocated to meat departments ranged from 10 to 50 percent among respondent firms but the average of 31 percent was fairly typical of both affiliates and chains. Since meat sales typically represented 25 percent of store sales, meat apparently receives somewhat more than its share of advertising and promotional attention. Budget allocations to individual product groups within the meat department were not closely related to the contribution each product group made to total meat sales. For example, beef, veal, lamb, and packer brand products received less than their proportionate share of advertising and promotional expenditures; fresh pork, broilers, and private label items received more than their proportionate share (Table 28). It can be assumed that these relative expenditures reflect some fairly widely held merchandising attitudes. These are the beliefs that, while beef is highly advertised, its high consumer acceptance makes it better able to carry its own weight; that pork and broiler advertising can be vigorously pursued with less adverse effect on beef volume and department profits; and that retailers have somewhat more vested interest in their private labels than they have in manufacturers' brands.

Affiliates gave somewhat more advertising and promotional effort to brand-name products and less to fresh meats than chains did and placed greater relative emphasis on private labels. Both affiliates and small chains devoted more attention than large chains to pork relative to beef (Tables 29-30). In view of affiliates' need to emphasize retail identity to consumers and to maintain and strengthen organizational unity among member participants, the comparative emphasis on private labels seems appropriate.

Typically, firms devoted three-fourths of their advertising expenditures to newspapers. However, significant differences existed in the allocation of the remainder of the advertising budget. Chains placed most of their remaining budget in radio and TV advertising, media which were little used by affiliates, while affiliates placed most of their remaining resources in handbills and billboard advertising (Table 31).

[17]Advertising expenses are concerned with the expenditures necessary in utilizing newspaper, radio, handbill, television, and billboard advertising. These expenses are made with the expressed hope that they will be sufficiently enticing to attract the consumer into the retail shop. Promotion expenses, in the sense used in this study, were more concerned with product and in-store expenses which occurred during demonstrations, the promotion of new brands or products, product displays, decorating of stores, distribution of recipes, etc. Stamps and contests were included in the discussion of the total firm advertising and promotion budget but not in the meat department discussion.

Most merchandisers held a somewhat uncomplimentary view of national promotional organizations such as the Meat Board, the Lamb Council, and others. Affiliate directors generally displayed a somewhat more responsive attitude to the efforts of these organizations. But it is apparent that their value is discounted and perhaps underestimated.

Chains displayed much more enthusiasm than affiliates for other merchandising aids. Magazines and other news media and the use of recipes, menus, and merchandising assistance were much more highly regarded by chains. Affiliates, in contrast, placed little emphasis on recipes, menus, and merchandising help but were more cognizant of the impact of county promotional organizations and political lobbies. These latter efforts, partly an element of national promotional programs, were considered rather inconsequential by chains (Table 32).

COMPETITIVE PERFORMANCE

What are the dimensions of successful competitive performance? Here, in capsule form, are seven categories of competitive attributes which reflect the range of judgments offered on this matter by the meat directors. These attributes refer to the total retail operation and not just the meat department.

First in importance: the advantages of *physical factors* in terms of store location and size, number of

TABLE 26.—Most Successful Meat Features in Attracting Customers to Retail Stores by Type of Retail Organization, Ohio, 1964-65.

Item	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Beef—Total	36.9*	36.9	38.2	37.6
Chucks	49.2†	37.5†	38.6†	43.7†
Round steak	20.0‡	17.5‡	22.9‡	21.5‡
Steaks	18.4	27.5	20.0	19.3
Ground beef	12.4	5.0	10.0	11.1
Rib roast	0.0	7 5	5.7	3.0
Other roasts	0.0	5.0	2.8	1.4
	100.0	100.0	100.0	100.0
Fresh Pork—Total	18.0*	20.5	19.5	18.8
Chops	50.0	55.3	55.4	52.8
Picnics	16.1	18.4	15.4	15.7
Butts	11.2	15.8	16.9	14.2
Steaks	11.2	5.2	6.2	8.7
Roasts	11.5	5.3	3.1	7.1
Spareribs	0.0	0.0	3.0	1.5
	100.0	100.0	100.0	100.0
Smoked Pork—Total	13.5*	17.8	16.3	15.0
Hams	50.0	67.7	62.1	55.7
Picnics	18.7	9.7	8.6	13.9
Bacon	21.8	20.0	22.4	22.1
Wieners	4 6	0.0	0.0	2.5
Canadian bacon	3.1	0 0	3.4	3.3
Luncheon meats	1.8	2.6	0.0	0.8
Smoked loins	0.0	0.0	1.8	0.8
Ham slices	0.0	0.0	1.7	0.9
	100.0	100.0	100.0	100.0
Broilers—Total	31.6*	24.8	26.0	28.6
Whole	50.0	46.7	48.0	48.9
Cut-up	24.1	22.2	24.0	24.1
Parts	20.9	17.8	20.0	20.4
Breasts	3.2	4.5	2.7	2.9
Legs	1.8	4.5	2.7	2.2
Light fowl (including turkeys)	0.0	4.3	2.6	1.5
	100.0	100.0	100.0	100.0

*Indicates the percentage of meat directors identifying beef, pork, etc., as the meat class which was most effective when featured. The remaining figures in each class indicate the ranking of individual items within that class as to their effectiveness as features.

†Rated as best all-round performer in attracting customers and maintaining meat department profit structure.

‡Rated as second best all-round performer in attracting customers and maintaining meat department profit structure.

stores, and the opportunity for one-stop shopping. These considerations were of primary importance in the thinking of both affiliate and chain directors. Relatively more importance was accorded to all of these factors by large chains than by affiliates and small chains, the latter tending to rely on some countering strategy and tactics considered less important by chains.

Second: Non-price practices. By non-price practices, meat directors specifically had in mind promotions, advertising, trading stamps, etc. Somewhat more emphasis was placed on this factor by affiliates and small chains, while large chains ranked it third in importance behind low prices.

TABLE 28.—Sales Volume Relative to Advertising and Promotional Expenditures by Type of Meat Product, Ohio, 1964-65.*

Product	Percent of Sales Volume	Percent of Advertising and Promotional Expenditures Devoted to Meat Products
Meat	25.0	30.7
Beef	41.2	34.4
Pork (fresh)	12.2	22.1
Broilers	13.0	17.5
Packer brands	28.3	18.0
Private brands	3.7	8.0
Veal and lamb	1 6	0.0†
	100.0	100.0

*Average percentages from all retail organizations in the study.
†Less than 1 percent.

TABLE 27.—Percentage Distribution of the Effects of Selected Fresh Meat Product Specials on the Sales Volume of Other Fresh Meat Items by Type of Retail Organization, Ohio, 1964-65.

Special—Fresh Meat Product	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Beef Feature Lowers Volume of:				
Pork Yes	36.4	57.1	38.5	37.5
No	36.3	28.6	53.9	45.8
Broilers Yes	27.3	57.1	46.2	37.5
No	45.4	28.6	46.2	45.8
No answer	27.3	14.3	7.6	16.7
Pork Feature Lowers Volume of:				
Beef Yes	27.3	0.0	0.0	12.5
No	45.5	85.7	92.4	70.9
Broilers Yes	36.4	14.3	23.1	29.2
No	36.4	71.4	69.3	54.2
No answer	27.2	14.3	7.6	16.6
Broiler Feature Lowers Volume of:				
Beef Yes	36.5	0.0	15.4	25.0
No	36.2	85.7	77.0	58.4
Pork Yes	54.6	0.0	7.7	29.2
No	18.1	85.7	84.7	54.2
No answer	27.3	14 3	7.6	16.6

TABLE 29.—Percentage Distribution of Total Retail Meat Advertising and Promotional Budget by Type of Retail Organization and Class of Meat Product, Ohio, 1964-65.

Product	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Fresh Meats				
Average	72.0	75.0	77.0	74.0
Range	30-80	50-90	50-95	50-95
Packer Brands				
Average	16.0	20.0	20.0	18.0
Range	10-30	5-40	5-40	5-40
Private Brands				
Average	12.0	5.0	3.0	8.0
Range	0-30	5-15	5-15	0-30

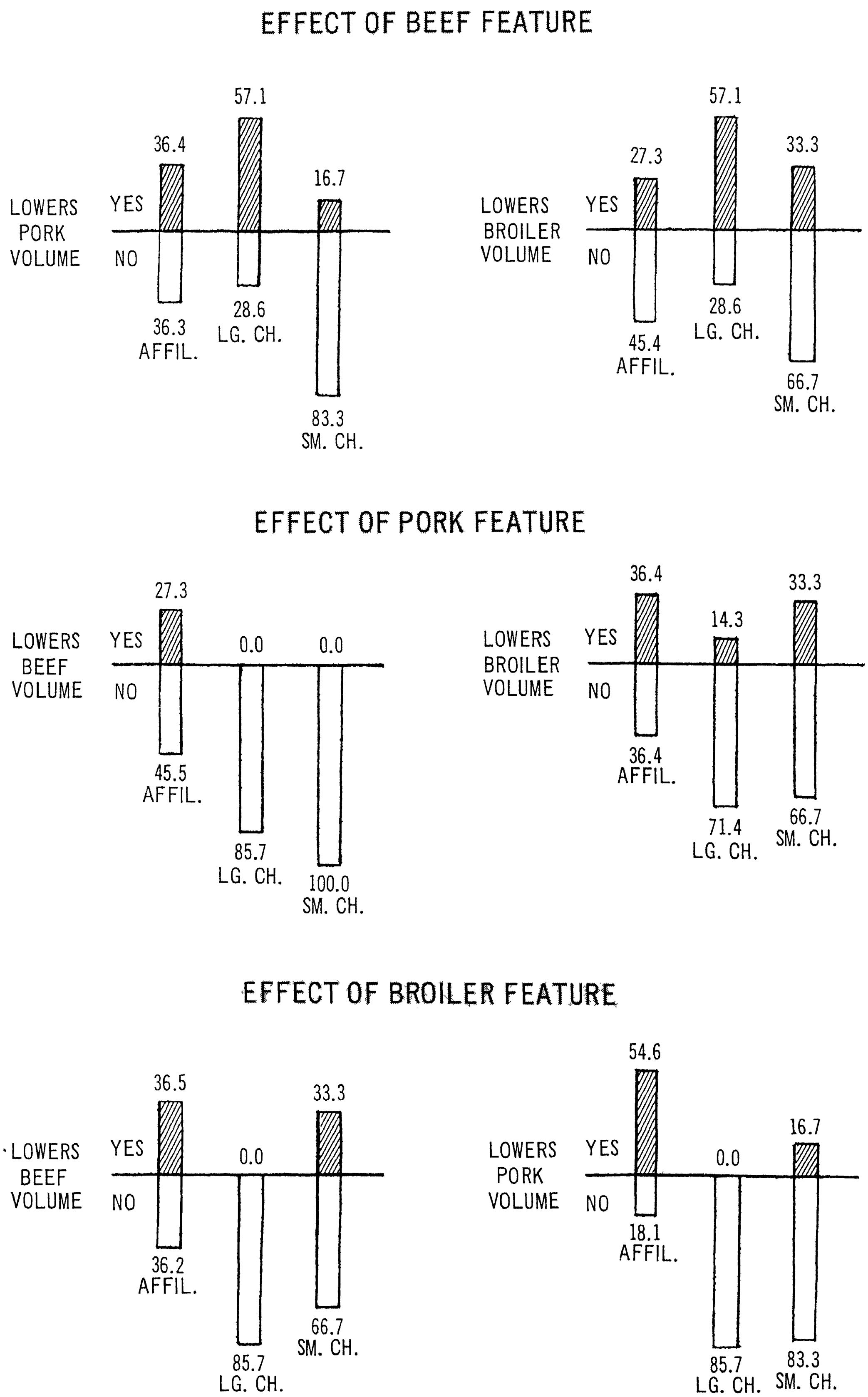

Fig. 8.—Estimated effects of features on other products, by percentage of responses.

TABLE 30.—Percentage Distribution of Retail Advertising and Promotional Funds Devoted to Fresh Meat Products by Type of Retail Organization and Class of Fresh Meat, Ohio, 1964-65.

Product	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Beef				
Average	44.0	55.0	49.6	46.5
Range	30-50	40-66	40-66	30-66
Pork				
Average	32.0	20.0	27.3	29.8
Range	18-50	12.5-25	12.5-50	12.5-50
Broilers				
Average	24.0	25.0	23.1	23.7
Range	15-30	12.5-40	10-40	10-40

TABLE 31.—Percentage Distribution of Advertising Media Used by Retailers by Type of Retail Organization, Ohio, 1964-65.*

Advertising Media	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Newspapers	72.0	73.2	76.9	74.1
Television	0.7	8.3	7.7	4.4
Radio	1.2	9.1	8.3	5.0
Handbills	14.9	6.8	5.5	9.8
Billboards	5.7	1.3	0.7	3.0
Miscellaneous	5.5	1.3	0.9	3.7
	100.0	100.0	100.0	100.0

*Based on established expenditures of advertising budget.

TABLE 32.—Percentage Distribution of Promotional Methods Judged Most Effective, by Type of Retail Organization, Ohio, 1964-65.*

Methods	Affiliated Groups	Large Chains	All Chains	All Retail Firms
Posters	47.1	28.6	29.6	36.4
Census information	5.9	0.0	0.0	2.3
Recipes and menus	5.9	28.8	25.9	17.2
News media	12.0	21.4	18.5	15.9
Political lobby	5.9	0.0	0.0	2.3
Demonstrations and merchandising help	5.9	21.4	22.3	16.0
County organizations	12.0	0.0	0.0	4.5
None effective	5.3	0.0	3.7	4.4
	100.0	100 0	100 0	100.0

*Includes promotional programs sponsored by suppliers and national trade associations, as well as by the retail organizations.

TABLE 33.—Percentage Distribution of Most Effective and Least Effective Competitors as Rated by Type of Retail Organization, Ohio, 1964-65.

Type of Competitor	Affiliated Groups: Most Effective Competitor	Affiliated Groups: Least Effective Competitor	All Chains: Most Effective Competitor	All Chains: Least Effective Competitor	All Retail Firms: Most Effective Competitor	All Retail Firms: Least Effective Competitor
Affiliated Groups	29.7	24.6	12.8	45.3	21.3	36.1
Chain Organizations						
National	32.3	67.3	46.7	45.1	39.4	54.9
Regional	23.0	0.0	24.6	4.8	23.9	2.7
Local	15.0	8.1	15.9	4.8	15.4	6.3
	100.0	100.0	100.0	100.0	100.0	100.0

Third: Low prices. In the thinking of large chain meat directors, low prices ranked second only to physical factors as a competitive device. Small chains ranked low prices third in importance, while affiliates ranked it fourth as a competitive factor. This reflects to some extent the competitive strengths of the different retail organizations.

Fourth: The firm image in the local community was ranked third in importance by large chains but was considered somewhat less important by affiliates and small chains, being ranked fifth by both types of organizations.

Fifth: Operational factors were accorded nearly as much importance by small chains and affiliates as were low prices and non-price practices. Specifically mentioned by affiliates in this regard were flexibility and efficiency, to which small chains appended product quality and service. Conversely, large chains considered operational factors inconsequential, perhaps in part because these factors are often rigidly controlled by chain policy.

Sixth: The importance that large chains accorded to *market conduct* permitted this factor to avoid last place in the aggregate scale of values for all meat directors. This included the use of market power and predatory tactics in a local market area to meet the competition of a particularly aggressive firm.

Seventh: Partly because the interviewers forced *meat programs* to be considered separately, they were accorded last place. Legitimately, they are influenced by and are an element of low prices, non-price practices, and operational factors.

Interviewees were asked to evaluate the effectiveness of their competitors, in view of these seven criteria. The directors were specific; they named names. The generalizations which follow are a composite resume of their observations (Table 33).

Thirty-nine percent of the firms identified as principal (and, by inference, most effective) competitors were national chains. Sixty-three percent were either national or regional chains. Chain store directors identified national and regional chains as constituting more than 70 percent of their principal competition and considered local chains more effective competition than affiliated organizations, which were accorded last place.

Affiliate directors, on the other hand, held a more respectful view of affiliates as competitors. By a slight margin, however, they still acknowledged national chains to be their principal competitors. Affiliated competitors ranked second, somewhat ahead of regional chains, and local chains were least seriously regarded as competitors. Obviously, from these responses, meat directors for both chains and affiliates were biased in favor of the type of operation with which they were identified. But even the affiliate directors conceded first place as effective competitors to national chains. Average judgments for the entire group placed regional chains and affiliated groups about even, with both more effective than local chains (Table 33).

On the other hand, what are the pitfalls leading to ineffective competition? Here again are seven principal categories. They identify, in order of importance and in the judgment of the directors, the ways in which a firm can most quickly get in trouble as an effective competitor. Viewed positively, they suggest the areas which might be examined most fruitfully for opportunities to improve competitive performance.

First: Operational failures. Inefficiency of the firm resulting from inflexibility in central planning, supervision, service, and quality standards. Obviously, these sound like the difficulties of centralization and the characteristics of bureaucracy. Not surprisingly, this factor ranked first only because of the preoccupation it caused chain meat directors (both large and small). Affiliates found it much less of a problem.

Second: Non-price practices. Affiliates were as conscious of this competitive weakness as chains were of operational failures. This weakness was ranked second by chains but was the main preoccupation among affiliates. This category included weak promotional programs, poor brand identification, weak advertising, the failure of trading stamps to achieve acceptance, and a self-conscious concern among the affiliates that perhaps they pushed their private labels too hard. All agreed that, among these non-price practices, a weak advertising program was the most serious of competitive sins.

So vigorous and articulate were the concerns registered for these two categories, operational failures and non-price practices, that they constituted nearly 60 percent of the competitive weaknesses mentioned by all meat directors. Consequently, the remaining five sources of difficulty occupy relatively minor roles.

Third: Physical factors such as store size and store location were rated third. The concern for such problems was quite evenly shared (about 15 percent) by affiliate and large and small chain directors.

Fourth: Failure to develop an effective meat program ranked fourth in importance. It is interesting to note that, while chains did not regard meat programs with much enthusiasm as an ingredient of competitive effectiveness, they placed more emphasis than affiliates on the lack of a program as a competitive weakness.

Fifth: Failure to achieve a satisfactory *local image* ranked fifth, largely due to its ranking by affiliates. Large chains did not consider this as a serious weakness. Perhaps they choose to ignore rather than confront a fact which is difficult to change in a massive organization.

Sixth and Seventh: Ratings received by the last two factors were so low that they can be dismissed by concluding that, in the eyes of these meat directors, ineffective competition is not directly attributable either to *high prices* or to *non-aggressive market conduct.*

Using these judgments as a basis, the meat directors identified their least effective competitors. Sixty-seven percent of the affiliates and nearly half of the chains identified national chains as their least effective competition (Table 33). The charge of overcentralization was largely responsible for this.

Affiliated groups were second to be identified as least effective competitors. In this case, non-price practices or failures in such practices were strongly associated with this judgment. These failures, one may suppose, come about partly as a result of too little centralization or at least too little control.

Regional chains fared best. Seldom were they identified as least effective competitors. Relative to their second ranking position as most effective competitors, these medium-sized, close-knit, centrally controlled organizations appear to enjoy the best of both worlds. They not only have the organizational structure in which control is more readily implemented but their smaller size permits more local and regional flexibility.

SUMMARY AND IMPLICATIONS

In brief, the findings of this study include the following:

- Meat programs, both supplier and retail store programs, have grown in prevalence, scope of activities, and formality.

- Most retail store programs, whether sponsored by chains or affiliated organizations, include the centralization of procurement and the central determination of retail pricing, features, advertising, and promotional strategies. Central warehousing of meat is rare in small chains and affiliated organizations but is an important dimension of large chain meat programs.

- Regional packers predominated as suppliers of fresh meat and branded products, both for affiliates and chains in Ohio. National packers were relatively unimportant except as suppliers of beef for large chains and as suppliers of lamb and certain branded products for all firms.

- Among affiliates, the most important single criterion in selecting a supplier was dependable service and the most common cause for dismissal was unreliable delivery. Among large chains, uniform quality, reliability, and integrity were important characteristics in selecting suppliers and most dismissals occurred because of inferior or inconsistent quality and unreliable delivery.

- All 24 firms employed formula prices to purchase some or all of their fresh meat requirements. Formulas were most widely used in beef and fresh pork purchases. Chains employed rigid formulas to a greater extent than affiliated organizations, which frequently permitted "other considerations" to enter into the pricing decision.

- About two-thirds of the fresh beef purchased by affiliates was by personal inspection, compared to one-fourth of the chain beef requirement. Approximately three-fourths of all orders were placed by telephone, with visiting salesmen comprising most of the remainder. Sales calls were more heavily used by chains and for ordering branded products.

- Affiliates typically dealt with more suppliers, placed orders fewer days in advance of need, and placed more orders per week than chains.

- Private label meat products made up 14 percent of total branded meat sales and 4 percent of total meat sales. Private labels were most important in bacon sales, followed by wieners, luncheon meats, and fresh sausage.

- Realized gross margins ranged from 19 to 23 percent and averaged 21.5 percent of retail meat sales. Attempted gross margins on fresh meat were normally 3 to 4 percent above the realized gross margin for these products.

- While many factors are considered in establishing retail prices and deciding on features, the dominant considerations are competitors' prices and actions.

- Beef chuck and round steak were uniformly considered the best features in attracting customers and maintaining meat department profits. Considerable disagreement was found as to the impact of certain features on the sale of other products.

- On the average, 31 percent of the advertising and promotional budget of the firms studied was devoted to meat, which represented 25 percent of store sales. Affiliates gave more advertising and promotional effort to brand-name products and less to fresh meats than chains did and placed more emphasis on private labels.

- In appraising the ingredients of successful competitive performance, physical factors were ranked first, followed by non-price practices, low prices, local image, operational factors, market conduct, and meat programs. Conversely, those characteristics most often associated with ineffective competition were operational failures and ineffective non-price practices.

Some Broader Implications

Meat procurement methods used by retail food stores and the associated pricing arrangements have undergone fundamental changes in recent years. These changes mark significant adjustments in market conduct in the wholesale meat trade. Resultant pressures in wholesaling activities are causing changes from conventional attitudes and procedures in meat packing and in livestock production and marketing.

Much of the change occurring in meat wholesaling is in response to structural and technological changes in the industry. But the rate of change seems accelerated by the growth of "meat programs" which represent a primitive but rapidly evolving systems approach to the problems of meat procurement, distribution, and merchandising.

Traditional marketing channels in the wholesale meat trade involved much individual price negotiation, purchase by inspection, packer and wholesaler delivery routes to stores, and substantial latitude for independent decision-making by retail meat department managers. The growth of chain and affiliated groups, self-service, and the desire for product standardization have encouraged evolutionary changes such as increased use of Federal grades for beef, private labels, increased direct shipments which by-pass packer branch houses and independent wholesalers, and the development of chain or affiliated warehouses which receive such shipments. Opportunities for further standardization and central control are enhanced by these changes.

Meat programs represent the efforts of retailers (and suppliers) to maximize the opportunities for improved operational efficiency which such changes present.[18] The contrast between traditional activities and those described in a complete meat program are striking. Central decision making and control, facilitated by the existence of a warehouse, result in purchase by description, warehouse deliveries by suppliers (direct shipments), standardized wholesale pricing schedules (formula pricing), and the centralized store services which have been outlined. Autonomy at the store level is reduced,[19] packer-wholesaler delivery routes diminish or disappear, and central strategies are more effectively executed by the homogenized tactics of scattered retail stores.

Meat programs do not generate market power; they articulate the demands of a power which already exists. They are not a basis for internal control; they are created by controls already at hand. They do not create a basis for organized activity; they arrange the activities which already enjoy an organizational framework.

Much of the enthusiasm about meat programs and much of the urgency accompanying their development among small chains and affiliates rests on mistaken expectations which are not likely to be realized. Meat programs will not help to control member-retailers as much as control of member-retailers will help programs. Meat programs, per se, do not beget confidence and loyalty of member-retailers. Rather, they depend on the confidence and loyalty earned by performance in non-meat programs and in the initial phases of a meat program.

When viewed in the proper context, however, as a systems approach to activities which can be controlled, meat programs hold attractive possibilities for retailers. So attractive are the possibilities that incentives to achieve the prerequisite control elements probably will be a contributing factor to the growth

[18]Pricing efficiency, however, may not be one of the goals. Rather, monopsonistic pricing is an attractive goal often sought under the guise of price standardization for improved planning.

[19]Central policy usually attempts to minimize and sometimes to forbid sales calls by suppliers to individual stores.

and merger rate among small chains, to increased development by affiliated wholesalers of "company stores" which the wholesaler owns but services along with those of member-retailers, and to increased levels of commitment imposed on affiliate membership.

Present meat programs among small chains and affiliates, even lacking sufficient control or failing to represent significant power, undoubtedly aid the organizations they serve by bringing a relative degree of order to a comparative condition of chaos. But the full benefits of programs in the long run are likely to accrue to organizations with the internal structure to control them and with sufficient market power to benefit from having it expressed through a program which can be enforced.

The gradual shift in market power, over the past half-century, from meat packers to retailers has brought a growing respect for market-oriented production planning to the livestock meat industry. Consumer-minded retailers with skill to specify and power to enforce their demands have been factors in the emergence of a functional marketing system from a less responsive product distribution network.[20] Yet the coordination of demand and supply response remains a clumsy process. The growth of meat programs suggests emphatically that remaining inefficiencies are under systematic attack. The implications of total meat program development lie not so much in the power which programs would represent as in the keen edge of purposefulness they would give to power which is already acknowledged.

An articulate expression of required product characteristics, together with an enforceable[21] set of rewards and punishments which can be applied with discriminating precision, enormously improve the sensitivity and agility of supply response. The process of change, proceeding at an evolutionary pace, is greatly speeded up.

[20]Documentation of this shift and exploration of its effects are readily found in agricultural marketing literature. Much of this material has been integrated and interpreted by Williams, W. F., and T. T. Stout. 1964. Economics of the Livestock-Meat Industry. MacMillan, New York.

[21]The term implies that sufficient power is available to overcome resisting power and reciprocal pressure which may be encountered.

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